

Salt Lake Valley Emergency Communications Center

**Basic Financial Statements and
Report of Independent Certified Public Accountants**

June 30, 2020 and 2019

Osborne, Robbins & Buhler, PLLC

Salt Lake Valley Emergency Communications Center

**Basic Financial Statements and
Report of Independent Certified Public Accountants**

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salt Lake Valley Emergency Communications Center

Report on the Financial Statements

We have audited the accompanying basic financial statements of Salt Lake Valley Emergency Communications Center (the Center) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Valley Emergency Communications Center as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information – Pensions on pages 3 through 11 and 41 through 43 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 inquires 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 September 15, 2020 on our consideration of the Center'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Center's 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 the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Osborne Robbins & Bahler PLLC". The signature is written in a cursive, flowing style.

September 15, 2020

Salt Lake Valley Emergency Communications Center Management's Discussion and Analysis June 30, 2020 and 2019

The following is a discussion and analysis of the Salt Lake Valley Emergency Center's financial performance which provides an overview of the Center's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the Center's basic financial statements that follow this section.

OVERVIEW OF THE CENTER

The Salt Lake Valley Communications Center was established in 1988 under the Utah Interlocal Cooperation Act as a joint enterprise of several cities and Salt Lake County. The Center is located in West Valley City, Utah and is responsible for answering emergency 911 calls, and non-emergency ten-digit calls for 17 member agencies within Salt Lake County. The Center is managed by the Executive Director, who reports to the Board of Trustees (Board). The Board is comprised of individuals appointed from each of the member agencies.

The Center employs highly-trained, professional 911 call takers and police and fire dispatchers who collect vital information from those needing emergency assistance; determine proper response and equipment needed; and ensure that public safety responders with relevant qualifications arrive at the right address as quickly as possible. The management of the Center is committed to meeting the needs of our member agencies and the public who depend on the vital 911 services. The service we provide is often a matter of life and death, and is evolving with new technology, a growing population and increasing call volumes.

FINANCIAL HIGHLIGHTS

- The assets of the Center exceeded its liabilities at June 30, 2020 by \$8,112,241 (net position), consisting of \$4,811,743 net investment in capital assets, \$3,229,897 restricted for capital improvements and unrestricted net position of \$70,601. In 2019, the assets of the Center exceeded its liabilities by \$9,778,893 (net position), consisting of \$4,149,584 in net investment in capital assets, \$800,867 restricted for debt service, \$3,748,472 restricted for capital improvements, and unrestricted net position of \$1,079,970.
- The Center's net position decreased during 2020 by \$1,666,652 and increased by \$816,088 during 2019.
- During 2017, the Center embarked on a project, in cooperation with Salt Lake City and Salt Lake County, to develop a new valley-wide Computer Aided Dispatching, Record Management, Field Based Reporting and Mobile Public Safety software suite and associated hardware (the CAD Project). The new system will enhance public safety response within the Salt Lake Valley; allow agencies to share the same records data base; utilize the same mapping and field base reporting system on multi-jurisdictional responses; and create, add and modify reports and records from common mobile devices. During 2019, the Center changed the primary contractor on this project and in connection with that change, the Center received a settlement of \$4,250,000 and reduced the value of the work in process by approximately \$3.7 million, leaving work in process of \$1,888,745 associated with this project at June 30, 2019. The project has continued during 2020 with another contractor. Upon completion the Center and Salt Lake City will each own one half of the project. As such, the financial statements reflect a liability, due to Salt Lake City, for one half of the CAD project costs to date, or \$2,360,588.

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Revenues, Expenses and Changes Net Position presents information showing how the Center's net position changed during the year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as earned but unused vacation leave.

The Statement of Cash Flows presents information about the Center's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS

To begin our analysis, a summary of the Center's Statement of Net Position is presented in Table A-1.

As noted earlier, net position may serve, over time, as a useful indicator of the Center's financial position. As of June 30, 2020, the Center's assets exceeded liabilities by \$8,112,241. Net position as of June 30, 2019 and 2018 was \$9,778,893 and \$8,962,805, respectively.

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

**Table A-1
Condensed Statement of Net Position**

	June 30, 2020	June 30, 2019	Change
Current and other assets	\$ 7,869,301	\$ 10,207,343	\$ (2,338,042)
Capital assets	7,519,358	7,323,744	195,614
Total assets	<u>15,388,659</u>	<u>17,531,087</u>	<u>(2,142,428)</u>
Deferred outflows of resources	<u>1,854,757</u>	<u>1,955,571</u>	<u>(100,814)</u>
Long-term obligations	4,882,567	6,219,211	(1,336,644)
Other liabilities	<u>2,825,133</u>	<u>3,241,563</u>	<u>(416,430)</u>
Total liabilities	<u>7,707,700</u>	<u>9,460,774</u>	<u>(1,753,074)</u>
Deferred inflows of resources	<u>1,423,475</u>	<u>246,991</u>	<u>1,176,484</u>
Net investment in capital assets, net of related debt	4,811,743	4,149,584	662,159
Restricted	3,229,897	4,549,339	(1,319,442)
Unrestricted	<u>70,601</u>	<u>1,079,970</u>	<u>(1,009,369)</u>
Total net position	<u>\$ 8,112,241</u>	<u>\$ 9,778,893</u>	<u>\$ (1,666,652)</u>

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

**Table A-1
Condensed Statement of Net Position - Continued**

	June 30, 2019	June 30, 2018	Change
Current and other assets	\$ 10,207,343	\$ 6,159,949	\$ 4,047,394
Capital assets	7,323,744	9,506,358	(2,182,614)
Total assets	<u>17,531,087</u>	<u>15,666,307</u>	<u>1,864,780</u>
Deferred outflows of resources	<u>1,955,571</u>	<u>1,620,466</u>	<u>335,105</u>
Long-term obligations	6,219,211	3,801,542	2,417,669
Other liabilities	<u>3,241,563</u>	<u>3,037,226</u>	<u>204,337</u>
Total liabilities	<u>9,460,774</u>	<u>6,838,768</u>	<u>2,622,006</u>
Deferred inflows of resources	<u>246,991</u>	<u>1,485,200</u>	<u>(1,238,209)</u>
Net investment in capital assets, net of related debt	4,149,584	5,320,636	(1,171,052)
Restricted	4,549,339	2,483,550	2,065,789
Unrestricted	<u>1,079,970</u>	<u>1,158,619</u>	<u>(78,649)</u>
Total net position	<u>\$ 9,778,893</u>	<u>\$ 8,962,805</u>	<u>\$ 816,088</u>

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

Table A-2 below shows the changes in Net Position for the years ended June 30, 2020, 2019 and 2018.

**Table A-2
Revenues, Expenses and Changes in Net Position**

	Year Ended June 30, 2020	Year Ended June 30, 2019	Change
Operating revenues			
911 service charges	\$ 7,431,547	\$ 7,251,077	\$ 180,470
Charges for services	7,893,864	6,873,829	1,020,035
Intergovernmental grants	534,322	263,376	270,946
Miscellaneous	231,570	22,115	209,455
Total operating revenues	<u>16,091,303</u>	<u>14,410,397</u>	<u>1,680,906</u>
Nonoperating revenues			
Interest income	76,988	140,156	(63,168)
Lease revenue	66,232	66,232	-
Gain on cost recovery from change in CAD contractor	-	521,023	(521,023)
Total nonoperating revenues	<u>143,220</u>	<u>727,411</u>	<u>(584,191)</u>
Total revenues	<u>16,234,523</u>	<u>15,137,808</u>	<u>1,096,715</u>
Operating expenses			
Administrative services	1,293,447	1,236,025	57,422
Management information systems	997,610	787,325	210,285
Call takers	4,293,179	3,856,751	436,428
Law enforcement dispatch	4,379,049	4,106,856	272,193
Fire dispatch	2,136,459	1,830,416	306,043
UPD dispatch	3,961,252	1,800,965	2,160,287
Depreciation	776,234	638,603	137,631
Total operating expenses	<u>17,837,230</u>	<u>14,256,941</u>	<u>3,580,289</u>
Nonoperating expenses			
Interest expense	63,945	64,779	(834)
Total expenses	<u>17,901,175</u>	<u>14,321,720</u>	<u>3,579,455</u>
Change in net position	(1,666,652)	816,088	<u>\$ (2,482,740)</u>
Net position at beginning of year	9,778,893	8,962,805	
Net position at end of year	<u>\$ 8,112,241</u>	<u>\$ 9,778,893</u>	

**Salt Lake Valley Emergency Communications Center
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June 30, 2020 and 2019**

**Table A-2
Revenues, Expenses and Changes in Net Position - Continued**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Change
Operating revenues			
911 service charges	\$ 7,251,077	\$ 7,328,077	\$ (77,000)
Charges for services	6,873,829	4,964,029	1,909,800
Intergovernmental grants	263,376	-	263,376
Miscellaneous	22,115	34,646	(12,531)
Total operating revenues	<u>14,410,397</u>	<u>12,326,752</u>	<u>2,083,645</u>
Nonoperating revenues			
Interest income	140,156	61,453	78,703
Lease revenue	66,232	92,880	(26,648)
Gain on cost recovery from change in CAD contractor	521,023	-	521,023
Intergovernmental grants	-	2,289,621	(2,289,621)
Total nonoperating revenues	<u>727,411</u>	<u>2,443,954</u>	<u>(1,716,543)</u>
Total revenues	<u>15,137,808</u>	<u>14,770,706</u>	<u>367,102</u>
Operating expenses			
Administrative services	1,236,025	937,734	298,291
Management information systems	787,325	521,933	265,392
Call takers	3,856,751	4,176,816	(320,065)
Law enforcement dispatch	4,106,856	3,489,975	616,881
Fire dispatch	1,830,416	1,629,697	200,719
UPD Dispatch	1,800,965	-	1,800,965
Depreciation	638,603	749,720	(111,117)
Total operating expenses	<u>14,256,941</u>	<u>11,505,875</u>	<u>2,751,066</u>
Nonoperating expenses			
Interest expense	64,779	42,416	22,363
Total nonoperating expenses	<u>64,779</u>	<u>42,416</u>	<u>22,363</u>
Total expenses	<u>14,321,720</u>	<u>11,548,291</u>	<u>2,773,429</u>
Change in net position	816,088	3,222,415	<u>\$ (2,406,327)</u>
Net position at beginning of year	<u>8,962,805</u>	<u>5,740,390</u>	
Net position at end of year	<u>\$ 9,778,893</u>	<u>\$ 8,962,805</u>	

**Salt Lake Valley Emergency Communications Center
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Beginning in the middle of fiscal year 2019, the Center began providing dispatch services for the Unified Police Department (UPD) and Herriman City which is the primary reason that Charges for services increased in 2020 and 2019 by \$1,020,035 and \$1,909,800.

During 2020 and 2019, 911 service charges remained relatively unchanged.

Operating expenses increased by approximately 25% in 2020 or approximately \$3.5 million (24% or \$2.7 million in 2019). These increases were primarily due to the costs of bringing the UPD dispatch into the Center and overall increased personnel expenses.

As part of the funding for the aforementioned CAD project, the Center received nonoperating intergovernmental grants and capital contributions totaling \$2,289,621 in 2018. There were no additional grants of this nature recorded in 2019 or 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, there was \$23,184,056 invested in capital assets, as shown in Table A-3. During 2020, there was a total of \$971,848 in capital asset additions consisting of approximately \$434,000 of work in process related to the CAD Project, \$117,000 related to new fire alert systems in member fire station and approximately \$420,000 in computer equipment and related software. During 2019, capital assets increased by approximately \$2.1 million consisting of approximately \$1.5 million related to the installation of a new fire alert system in member fire stations, approximately \$476,000 related to the CAD Project and approximately \$209,000 in computer equipment and software.

**TABLE A-3
Capital Assets at Cost**

	June 30, 2020	June 30, 2019	June 30, 2018
Land	\$ 100,000	\$ 100,000	\$ 100,000
Work in process	2,322,773	2,068,624	5,321,055
Buildings	7,373,567	7,373,567	7,373,567
Improvements other than buildings	173,467	173,467	173,467
Equipment, furnitures and fixtures	13,214,249	12,496,550	10,788,130
	<u>\$ 23,184,056</u>	<u>\$ 22,212,208</u>	<u>\$ 23,756,219</u>

Additional information on the Center's capital assets can be found in Note E on page 25 of this report.

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

Debt

As of June 30, 2020 the Center had long-term obligations outstanding related to compensated absences due to employees totaling \$874,650, compared to \$563,692 and \$349,505 in 2019 and 2018, respectively.

As of June 30, 2020, the Center had a net pension liability totaling \$2,335,890 compared to \$3,271,947 at June 30, 2019 and \$1,836,903 at June 30, 2018.

During 2019, the Center issued \$1,820,000 in revenue bonds to fund a fire alert system. The total outstanding balance of those bonds at June 20, 2020 was \$1,325,000.

The Center has entered into several different capital lease agreements for the acquisition of computer equipment. The total balance of those capital leases as of June 30, 2020 was \$347,027, \$815,573 at June 30, 2019 and \$1,615,134 at June 30, 2018.

The following summarizes the long-term debt activity for the Center for fiscal years 2020, 2019 and 2018.

TABLE A-4
Long-Term Debt Outstanding

	Balance at June 30, 2020	Balance June 30, 2019	Change
Capital lease obligations	\$ 347,027	\$ 813,572	\$ (466,545)
Revenue bonds payable	1,325,000	1,570,000	(245,000)
Net pension liability	2,335,890	3,271,947	(936,057)
Compensated absences	874,650	563,692	310,958
	<u>\$ 4,882,567</u>	<u>\$ 6,219,211</u>	<u>\$ (1,336,644)</u>

	Balance at June 30, 2019	Balance at June 30, 2018	Change
Capital lease obligations	\$ 813,572	\$ 1,615,134	\$ (801,562)
Revenue bonds payable	1,570,000	-	1,570,000
Net pension liability	3,271,947	1,836,903	1,435,044
Compensated absences	563,692	349,505	214,187
	<u>\$ 6,219,211</u>	<u>\$ 3,801,542</u>	<u>\$ 2,417,669</u>

**Salt Lake Valley Emergency Communications Center
Management's Discussion and Analysis
June 30, 2020 and 2019**

The Center has no bond rating.

Additional information on the Center's Long-Term Debt can be found in Note F on pages 26 and 27 of this report.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional information, contact the Center's Deputy Director of Administration and Finance at 5360 South Ridge Village Drive, West Valley City, Utah 84118, by phone at (801) 840-4033, or e-mail at the following address: cjensen@vecc911.com.

BASIC FINANCIAL STATEMENTS

Salt Lake Valley Emergency Communications Center
Statements of Net Position
June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,274,725	\$ 3,014,108
Receivables		
Intergovernmental	1,315,781	1,226,489
Other	6,417	740
Cost recovery receivable resulting from change in CAD contractor	-	1,416,667
Prepaid expenses	42,481	-
Restricted cash and cash equivalents	3,229,897	1,716,006
Restricted cost recovery receivable resulting from change in CAD contractor	-	2,833,333
Total current assets	<u>7,869,301</u>	<u>10,207,343</u>
Noncurrent assets		
Nondepreciable capital assets	2,422,773	2,168,624
Depreciable capital assets, net of accumulated depreciation	5,096,585	5,155,120
Total noncurrent assets	<u>7,519,358</u>	<u>7,323,744</u>
Total assets	<u>\$ 15,388,659</u>	<u>\$ 17,531,087</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	<u>\$ 1,854,757</u>	<u>\$ 1,955,571</u>

See accompanying notes to the basic financial statements.

Salt Lake Valley Emergency Communications Center
Statements of Net Position - continued
June 30,

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 79,250	\$ 363,972
Accrued liabilities	385,295	517,003
Due to Salt Lake City Corporation	2,360,588	2,360,588
Current portion, capital lease obligations	180,566	710,508
Current portion, revenue bonds	250,000	245,000
Current portion, compensated absences	492,191	307,802
Total current liabilities	<u>3,747,890</u>	<u>4,504,873</u>
Noncurrent liabilities		
Capital lease obligations	166,461	103,064
Revenue bonds	1,075,000	1,325,000
Compensated absences	382,459	255,890
Net pension liability	2,335,890	3,271,947
Total noncurrent liabilities	<u>3,959,810</u>	<u>4,955,901</u>
Total liabilities	<u>\$ 7,707,700</u>	<u>\$ 9,460,774</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	\$ 1,276,649	\$ 170,763
Advance receipt of member assessments	93,470	-
Advance receipt of lease revenue	53,356	76,228
Total deferred inflows of resources	<u>\$ 1,423,475</u>	<u>\$ 246,991</u>
COMMITMENTS	-	-
NET POSITION		
Net investment in capital assets	\$ 4,811,743	\$ 4,149,584
Restricted		
For debt service	-	800,867
For capital improvements	3,229,897	3,748,472
Unrestricted	70,601	1,079,970
Total net position	<u>\$ 8,112,241</u>	<u>\$ 9,778,893</u>

See accompanying notes to the basic financial statements.

Salt Lake Valley Emergency Communications Center
Statements of Revenues, Expenses and Changes in Net Position
For the fiscal years ended June 30,

	2020	2019
Operating revenues		
Charges for services		
911 service charges	\$ 7,431,547	\$ 7,251,077
Member billings	7,893,864	6,873,829
Intergovernmental grants	534,322	263,376
Miscellaneous	231,570	22,115
Total operating revenues	<u>16,091,303</u>	<u>14,410,397</u>
Operating expenses		
Administrative services	1,293,447	1,236,025
Management information systems	997,610	787,325
Call takers	4,293,179	3,856,751
Law enforcement dispatch	4,379,049	4,106,856
Fire dispatch	2,136,459	1,830,416
UPD dispatch	3,961,252	1,800,965
Depreciation	776,234	638,603
Total operating expenses	<u>17,837,230</u>	<u>14,256,941</u>
Operating income (loss)	<u>(1,745,927)</u>	<u>153,456</u>
Nonoperating revenues (expenses)		
Interest income	76,988	140,156
Lease revenue	66,232	66,232
Gain on cost recovery from change in CAD contractor	-	521,023
Interest expense	(63,945)	(64,779)
Total nonoperating revenues (expenses)	<u>79,275</u>	<u>662,632</u>
Change in net position	(1,666,652)	816,088
Net position at beginning of year	<u>9,778,893</u>	<u>8,962,805</u>
Net position at end of year	<u><u>\$ 8,112,241</u></u>	<u><u>\$ 9,778,893</u></u>

See accompanying notes to the basic financial statements.

Salt Lake Valley Emergency Communications Center
Statements of Cash Flows
For the fiscal years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipt of 911 service charges	\$ 7,392,879	\$ 9,184,471
Member billings received	7,936,710	5,351,588
Payments to suppliers	(10,645,603)	(6,826,534)
Payments to employees	(6,298,380)	(6,279,418)
Other receipts	765,892	285,491
Net cash provided by (used in) operating activities	<u>(848,502)</u>	<u>1,715,598</u>
Cash flows from capital and related financing activities		
Cost recovery collected from CAD contractor	4,250,000	-
Purchase of capital assets	(583,736)	(2,394,966)
Proceeds from issuance of revenue bonds	-	1,820,000
Principal paid on revenue bonds	(245,000)	(250,000)
Interest paid on revenue bonds	(46,315)	(32,172)
Principal paid on capital lease obligations	(854,657)	(801,562)
Interest paid on capital lease obligations	(17,630)	(32,607)
Net cash provided by (used in) capital and related financing activities	<u>2,502,662</u>	<u>(1,691,307)</u>
Cash flows from investing activities		
Lease revenue collected	43,360	43,360
Interest income collected	76,988	140,156
Net cash provided by investing activities	<u>120,348</u>	<u>183,516</u>
Net increase in cash and cash equivalents	1,774,508	207,807
Cash and cash equivalents at beginning of year	<u>4,730,114</u>	<u>4,522,307</u>
Cash and cash equivalents at end of year	<u>\$ 6,504,622</u>	<u>\$ 4,730,114</u>
Cash and cash equivalents at end of year consists of:		
Unrestricted cash and cash equivalents	\$ 3,274,725	\$ 3,014,108
Restricted cash and cash equivalents	3,229,897	1,716,006
	<u>\$ 6,504,622</u>	<u>\$ 4,730,114</u>

See accompanying notes to the basic financial statements.

Salt Lake Valley Emergency Communications Center
Statements of Cash Flows - continued
For the fiscal years ended June 30,

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (1,745,927)	\$ 153,456
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	776,234	638,603
Changes in assets and liabilities		
Receivables	(94,969)	410,413
Prepaid expenses	(42,481)	-
Changes in net pension asset, liability and deferred inflows and outflows related to pensions	270,643	(115,398)
Deferred inflows - member assessments	93,470	-
Accounts payable	(284,722)	143,420
Accrued liabilities	179,250	485,104
Net cash provided by (used in) operating activities	<u>\$ (848,502)</u>	<u>\$ 1,715,598</u>
Non-cash transactions affecting financial position:		
Gain on cost recovery from change in CAD contractor	\$ -	\$ 521,023
Capital assets acquired under capital lease	274,435	-

See accompanying notes to the basic financial statements.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The Center's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Center are discussed below.

Reporting entity

The Center's basic financial statements include the financial position and results of operations of the Center. A review of other units of local government, using the criteria set forth in generally accepted accounting principles, indicates there are no additional entities or funds for which the Center has reporting responsibilities. Management has determined the Center should not be considered a component unit of its member agencies for the following reasons:

- The Center has separate legal standing from its member agencies.
- None of the member agencies appoint the voting majority of the Center's Board of Trustees. The Center's Board of Trustees consists of 17 members – each member agency appointing one board member.
- The financial statements of its member agencies would not be misleading or incomplete without the inclusion of the Center's financial statements.

Basic Financial Statements and Basis of Accounting

The Center is an enterprise fund and categorized as a business-type activity, where the intent is that costs of providing goods or services to the member agencies on a continuing basis be financed or recovered primarily through member billings and 911 service charges that are imposed by the member agencies for use by the Center.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The Center's financial statements are presented on the full accrual, economic resource basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing, or investing activities. The Center's net position is reported in three parts – net investment in capital assets, restricted, if any, and unrestricted.

Receivables

Receivables consist of amounts due from member agencies, 911 franchise taxes, governmental grants, and miscellaneous other items. An allowance for doubtful accounts is not considered necessary as of June 30, 2020 or 2019.

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date of less than 90 days.

Capital assets and depreciation

Capital assets are defined by the Center as assets with an initial individual cost of more than \$5,000 and an estimated useful life of 3 years or more. The Center records its capital assets at cost. Contributed capital assets are valued at their estimated fair market value on the date of contribution. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized.

Depreciation of property and equipment has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Improvements other than buildings	10
Equipment, furniture and fixtures	3 - 10

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Pensions

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

Deferred outflows/inflows of resources

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

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE B – DEPOSITS AND INVESTMENTS

The Center’s deposits and investments are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Center’s deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State

Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits in excess of the insured amounts are uninsured and uncollateralized. Deposits are not required to be collateralized by state statute. At June 30, 2020 the book value of cash on deposit was \$797,772, and the bank balance was \$758,015, (approximately \$267,000 of which was exposed to custodial credit risk as uninsured or uncollateralized), with the difference being outstanding checks and deposits.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

The Center’s investments at June 30, 2020 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
Utah Public Treasurer’s Investment Fund	\$5,706,850	\$5,706,850	\$ -	\$ -	\$ -

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The Center’s policy for managing interest rate risk is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The Center’s only investment is with the Utah Public Treasurer’s Investment Fund which is unrated as to credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Center does not have a formal policy for custodial credit risk.

All of the Center’s investments at June 30, 2020 were with the Utah Public Treasurer’s Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer’s Investment Fund is available at Note C.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government’s investment in a single issuer.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

The Center’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

All of the Center’s investments at June 30, 2020 were with the Utah Public Treasurer’s Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer’s Investment Fund is available at Note C.

NOTE C – EXTERNAL INVESTMENT POOL

The Center invests in the Public Treasurer’s Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants’ balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant’s share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security’s fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2020) and then compare those values to come up with an agreed upon fair value of the securities.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE C – EXTERNAL INVESTMENT POOL - CONTINUED

As of June 30, 2020, the Center had \$5,706,850 invested in the PTIF which had a fair value of \$5,720,823 for an unrealized gain of \$13,973. Due to the insignificance of this amount, the fair value of the investments in this external investment pool is deemed to be the amortized cost of the investment.

The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	77.74%
Money market accounts	16.02%
U.S. Treasury bills	6.24%
	<u>100.00%</u>

NOTE D – RESTRICTED ASSETS

During 2017, the Center entered into an interlocal agreement with Salt Lake City and Salt Lake County for the development of a common platform for Computer Aided Dispatch, Records Management, and Mobile Dispatch System (the CAD Project). Under the agreement, the Center is to act as the “Lead Agent” to obtain grant funding and other funding sources for the project. Once the system is operational, Salt Lake City and the Center will own and operate their own hardware and equipment that interfaces with common cloud based infrastructure. Grant funds for the project were received by the Center during fiscal years 2017 and 2018. During 2019, the Center made a change in the contractor for this project and in connection with that change, recorded a receivable as of June 30, 2019 in the amount of \$4,250,000 for costs to be recovered. Of that amount, \$2,833,333 was considered to be restricted for use in completion of the CAD project.

The project has continued in 2020 with a new contractor and is on schedule with an estimated completion date of July 2021.

In addition, the Center had cash and cash equivalents restricted for the following amounts and purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Unspent lease proceeds	\$ 113,678	\$ -
CAD project costs	3,116,219	915,139
Debt service	-	800,867
	<u>\$ 3,229,897</u>	<u>\$ 1,716,006</u>

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE E– CAPITAL ASSETS

Capital asset activity is summarized as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Nondepreciable capital assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Work in process	2,068,624	254,149	-	2,322,773
Land	<u>\$ 2,168,624</u>	<u>\$ 254,149</u>	<u>\$ -</u>	<u>\$ 2,422,773</u>
Depreciable capital assets:				
Buildings	\$ 7,373,567	\$ -	\$ -	\$ 7,373,567
Improvements other than buildings	173,467	-	-	173,467
Equipment, furnitures and fixtures	12,496,550	717,699	-	13,214,249
Total depreciable capital assets at historical cost	<u>20,043,584</u>	<u>717,699</u>	<u>-</u>	<u>20,761,283</u>
Less accumulated depreciation:				
Buildings	4,403,820	245,785	-	4,649,605
Improvements other than buildings	173,467	-	-	173,467
Equipment, furnitures and fixtures	10,311,177	530,449	-	10,841,626
Total accumulated depreciation	<u>14,888,464</u>	<u>776,234</u>	<u>-</u>	<u>15,664,698</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 5,155,120</u>	<u>\$ (58,535)</u>	<u>\$ -</u>	<u>\$ 5,096,585</u>
	July 1, 2018	Increases	Decreases	June 30, 2019
Nondepreciable capital assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Work in process	5,321,055	476,546	3,728,977	2,068,624
Land	<u>\$ 5,421,055</u>	<u>\$ 476,546</u>	<u>\$ 3,728,977</u>	<u>\$ 2,168,624</u>
Depreciable capital assets:				
Buildings	\$ 7,373,567	\$ -	\$ -	\$ 7,373,567
Improvements other than buildings	173,467	-	-	173,467
Equipment, furnitures and fixtures	10,788,130	1,708,420	-	12,496,550
Total depreciable capital assets at historical cost	<u>18,335,164</u>	<u>1,708,420</u>	<u>-</u>	<u>20,043,584</u>
Less accumulated depreciation:				
Buildings	4,158,035	245,785	-	4,403,820
Improvements other than buildings	173,467	-	-	173,467
Equipment, furnitures and fixtures	9,918,359	392,818	-	10,311,177
Total accumulated depreciation	<u>14,249,861</u>	<u>638,603</u>	<u>-</u>	<u>14,888,464</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 4,085,303</u>	<u>\$ 1,069,817</u>	<u>\$ -</u>	<u>\$ 5,155,120</u>

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE F – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations:

	July 1, 2019	Additions	Deletions	June 30, 2020	Amounts Due Within One Year
Direct Placements					
Revenue bonds payable	\$ 1,570,000	\$ -	\$ 245,000	\$ 1,325,000	\$ 250,000
Other Liabilities					
Capital lease obligations	813,572	388,112	854,657	347,027	180,566
Net pension liability	3,271,947	(936,057)	-	2,335,890	-
Compensated absences	563,692	1,127,384	816,426	874,650	492,191
	<u>\$ 6,219,211</u>	<u>\$ 579,439</u>	<u>\$ 1,916,083</u>	<u>\$ 4,882,567</u>	<u>\$ 922,757</u>

	July 1, 2018	Additions	Deletions	June 30, 2019	Amounts Due Within One Year
Direct Placements					
Revenue bonds payable	\$ -	\$ 1,820,000	\$ 250,000	\$ 1,570,000	\$ 245,000
Other Liabilities					
Capital lease obligations	1,615,134	-	801,562	813,572	710,508
Net pension liability	1,836,903	1,435,044	-	3,271,947	-
Compensated absences	349,505	699,010	484,823	563,692	307,802
	<u>\$ 3,801,542</u>	<u>\$ 3,954,054</u>	<u>\$ 1,536,385</u>	<u>\$ 6,219,211</u>	<u>\$ 1,263,310</u>

The revenue bonds consist of \$1,820,000 Series 2018 Revenue bonds, due serially through 2025 including interest at 2.95%. As of June 30, 2020, annual debt service requirements to maturity on the bonds are as follows:

Year ending June 30,	Principal	Interest
2021	\$ 250,000	\$ 39,088
2022	255,000	31,712
2023	265,000	24,190
2024	275,000	16,372
2025	280,000	8,260
	<u>\$ 1,325,000</u>	<u>\$ 119,622</u>

The amortization of compensated absences and the net pension liability has not been included in the above schedule due to the uncertainty of the timing of the payments.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE F – LONG-TERM OBLIGATIONS - CONTINUED

The revenue bonds are secured by a first lien on net revenues earned by the Center. Net revenues are defined in the revenue bond agreements. The Center is required to establish rates sufficient to pay the operating expenses and to provide net revenues in an amount not less than 125% of the aggregate annual debt service requirement for the upcoming fiscal year. The following summarizes the debt service coverage calculation for the bonds:

Net revenues:

Operating revenues	\$ 16,091,303
Operating expenses (excluding depreciation)	(17,060,996)
Lease revenue	66,232
Interest income	76,988
Net revenues	<u>\$ (826,473)</u>
Debt service for 2021	<u>\$ 289,088</u>
Ratio of net revenues to debt service	(2.86)
Minimum ratio	1.25

At June 30, 2020, the Center was not in compliance with the rate covenant. The Center has addressed this by increasing member assessments during fiscal 2021 and anticipates that the increase will provide net revenues sufficient to satisfy the rate covenant requirement.

Pledged revenues

The Center has pledged revenues in the amount of \$1,444,622 from 911 service charges, member billings, leases and other income, to fund debt service payments on the 2018 Revenue bonds. The 2018 bonds were used to finance a fire alert system installed member entities' fire stations. Revenues have been pledged for debt service payments through 2025. Total revenues through 2025 have not been estimated. Operating revenues in the current year totaled \$16,091,303 and debt service for the bonds was \$291,315.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE G – CAPITAL LEASE OBLIGATIONS

During 2017, the Center entered into a lease agreement to provide a bridge loan for the CAD Project referred to in Note D. This lease was paid off during 2020.

The Center has entered into two other lease agreements for financing the acquisition of certain computer equipment. These lease agreements qualified as capital leases for accounting purposes and, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through these capital leases are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Computer equipment and software, at cost	\$ 545,995	\$ 271,560
Less accumulated depreciation	<u>(246,701)</u>	<u>(120,780)</u>
	299,294	150,780
CAD Project work in process - portion financed by capital lease	<u>-</u>	<u>1,658,868</u>
	<u><u>\$ 299,294</u></u>	<u><u>\$ 1,809,648</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 193,479
2022	<u>180,106</u>
	373,585
Less: amount representing interest	<u>26,558</u>
Present value of minimum lease payments	347,027
Current portion	<u>180,566</u>
Long-term portion	<u><u>\$ 166,461</u></u>

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE H – LEASE REVENUE

The Center is currently leasing a radio room to Utah Communications Agency Network (UCAN) under an operating lease agreement. Under the terms of the lease, UCAN is required to make quarterly payments until December 31, 2040. The quarterly payments will be \$12,330 until July 1, 2025, and every fifth year thereafter during the term of the lease, the lease amount will increase by 4%.

In addition, the Center is leasing a storage facility to UCAN under an operating lease agreement. The annual lease amount under this lease agreement is \$22,872 until October 31, 2022, at which time the lease expires unless both parties agree to extend the term of the lease.

The following is a schedule of the future minimum lease receipts under the terms of these leases:

Year Ending June 30,	
2021	\$ 72,192
2022	72,190
2023	56,932
2024	49,320
2025	49,320
Thereafter	800,584
	<u>\$1,100,538</u>

NOTE I - COMPENSATED ABSENCES

Full-time, regular employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Center. Accumulated unpaid amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employees, retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employees, retirement system.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory system	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2020 are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System				
111 - Local Governmental Division Tier 2	N/A	N/A	15.66%	1.03%
Noncontributory System				
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%	N/A
Tier 2 DC Only				
211 - Local Government	N/A	N/A	6.69%	10.00%

*Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

For the year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 809,362	N/A
Tier 2 Public Employees System	574,460	-
Tier 2 DC Only System	21,247	N/A
Total contributions	\$ 1,405,069	\$ -

Contributions reports are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Center reported no net pension asset and a net pension liability of \$2,335,890.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory system	0.6048016%	\$ -	\$ 2,279,418
Tier 2 Public Employees System	0.2201876%	-	56,472
Total Net Pension Asset/Liability		\$ -	\$ 2,335,890

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, the Center recognized pension expense of \$1,671,856.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 223,138	\$ 52,123
Changes in assumptions	265,530	1,623
Net difference between projected and actual earnings on pension plan investments	-	1,196,132
Changes in proportion and differences between contributions and proportionate share of contributions	676,545	26,771
Contributions subsequent to the measurement date	<u>689,544</u>	<u>-</u>
Total	<u>\$ 1,854,757</u>	<u>\$ 1,276,649</u>

\$689,544 was reported as deferred outflows of resources related to pensions results from contributions made by the Center prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 143,059
2022	8,900
2023	145,727
2024	(449,661)
2025	5,951
Thereafter	34,588

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources:

For the year ended June 30, 2020, the Center recognized pension expense of \$1,354,112.3

Change to plan by plan info	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 207,340	\$ 32,742
Changes in assumptions	241,417	-
Net difference between projected and actual earnings on pension plan investments	-	1,152,722
Changes in proportion and differences between contributions and proportionate share of contributions	631,111	26,771
Contributions subsequent to the measurement date	<u>383,776</u>	<u>-</u>
Total	<u>\$ 1,463,644</u>	<u>\$ 1,212,235</u>

\$383,776 was reported as deferred outflows of resources related to pensions results from contributions made by the Center prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 148,825
2022	13,821
2023	143,231
2024	(438,244)
2025	-
Thereafter	-

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources:

For the year ended June 30, 2020, the Center recognized pension expense of \$317,745

Change to plan by plan info	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,798	\$ 19,381
Changes in assumptions	24,113	1,623
Net difference between projected and actual earnings on pension plan investments	-	43,410
Changes in proportion and differences between contributions and proportionate share of contributions	45,434	-
Contributions subsequent to the measurement date	305,768	-
Total	<u>\$ 391,113</u>	<u>\$ 64,414</u>

\$305,768 was reported as deferred outflows of resources related to pensions results from contributions made by the Center prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ (5,766)
2022	(4,921)
2023	2,496
2024	(11,417)
2025	5,951
Thereafter	34,588

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Actuarial assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Asset class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	-	-	-
Totals	<u>100%</u>		<u>4.75%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>7.25%</u>

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

Discount rate: The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan Investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained the same from the prior measurement period.

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE J - RETIREMENT PLANS - CONTINUED

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
System			
Noncontributory System	\$ 7,119,416	\$ 2,279,418	\$ (1,757,090)
Tier 2 Public Employees System	486,984	56,472	(276,235)
	<u>\$ 7,606,400</u>	<u>\$ 2,335,890</u>	<u>\$ (2,033,325)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

NOTE K - DEFERRED COMPENSATION PLANS

Under the Utah State Retirement Systems Plan, the Center participates in a 401(k) plan and a 457 plan which are multiple employer defined contribution plans. All employees of the Center are eligible to participate in these plans. The employee is 100 percent vested immediately upon contribution to the plan. The employee contribution is voluntary.

Contributions made by employees to the 401(k) plan were \$100,543 and \$72,210 for 2020 and 2019, respectively. In addition, during 2020, the Center made contributions of \$179,592 to this plan (\$88,202 in 2019). Contributions made by employees to the 457 plan were \$20,887 for 2020 and \$21,859 for 2019. The Center made contributions to the 457 plan totaling \$15,389 in 2020 and \$7,899 in 2019.

In addition, the Center offers its employees participation in a defined contribution deferred compensation plan created in accordance with Internal Revenue Code Section 401(a) (the 401(a) plan). All employees of the Center are eligible and encouraged to participate in the 401(a) plan. The employee is fully vested in the plan after 5 years of service. The Center will contribute up to 6.2% (based on the employee's participation in the deferred compensation 457 plan, see below) of the employee's eligible salary to the plan on behalf of the employee. Contributions to the plan by employees and the Center were \$388,547 in 2020 (\$334,915 by employees and the Center in 2019).

Salt Lake Valley Emergency Communications Center
Notes to the Basic Financial Statements
June 30, 2020 and 2019

NOTE K - DEFERRED COMPENSATION PLANS – CONTINUED

The Center also offers its full-time employees voluntary participation in a deferred compensation plan in accordance with Internal Revenue Code Section 457 which is separate from the 457 plan administered through the Utah Retirement Systems. Employees can contribute between 0% to 6.2% of their eligible salary and the Center will make a matching contribution in the same percentage to the 401(a) plan mentioned above. Contributions to the plan by employees were \$335,483 in 2020 (\$311,279 in 2019).

NOTE L - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center carries commercial insurance for all of these risks of loss, except natural disasters other than earthquakes. During 2020, the Center did not decrease any levels of insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Claims information for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Claims liability July 1,	\$ -	\$ -
Claims incurred during the year and changes in estimates	10,619	-
Payments on claims during the year		
Payments made by insurance	(10,619)	-
Payments made by the Center	-	-
Claims liability June 30,	<u>\$ -</u>	<u>\$ -</u>

NOTE M – COMMITMENTS AND CONTINGENCIES

There are pending legal claims in which the Center is involved. The Center’s management estimates the potential claims against the Center resulting from such litigation not covered by insurance would not materially affect the financial position of the Center.

NOTE N – RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

**Salt Lake Valley Emergency Communications Center
Schedule of the Proportionate Share of the Net Pension Liability –
Utah Retirement Systems
For the Fiscal Year ended June 30, 2020
With a Measurement Date of December 31, 2019
Last 10 Fiscal Years***

Noncontributory System for the Fiscal Years Ended June 30,

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.6048016%	0.4315271%	0.4146947%	0.4205496%	0.4707846%	0.4723578%
Proportionate share of the net pension liability (asset)	\$ 2,279,418	\$ 3,177,646	\$ 1,816,902	\$ 2,700,443	\$ 2,663,928	\$ 2,051,089
Covered employee payroll	\$ 4,541,035	\$ 3,149,949	\$ 3,047,852	\$ 3,243,476	\$ 3,756,542	\$ 3,935,254
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	50.2%	100.9%	59.6%	83.3%	70.9%	52.1%
Plan fiduciary net position as a percentage of the total pension liability	93.7%	87.0%	91.9%	87.3%	172.3%	90.2%

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Tier 2 Public Employees System for the Fiscal Years ended June 30,

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.2510906%	0.2201876%	0.2268641%	0.2203179%	0.2015308%	0.1472733%
Proportionate share of the net pension liability (asset)	\$ 56,472	\$ 94,301	\$ 20,001	\$ 24,576	\$ (440)	\$ (4,463)
Covered employee payroll	\$ 3,490,312	\$ 2,572,503	\$ 2,218,611	\$ 1,806,767	\$ 1,302,273	\$ 723,138
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	1.62%	3.67%	0.90%	1.36%	-0.03%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

* In accordance with paragraph 81.a of GASB 68, the Center will need to disclose a 10 year history of its proportionate share of the net pension liability (asset) in its RSI. The Center continue to present information for available years until a full 10 year trend is compiled.

**Salt Lake Valley Emergency Communications Center
Schedule of Contributions – Utah Retirement Systems
June 30, 2020**

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll**
Noncontributory System	2014	\$ 684,965	\$ 684,965	\$ -	\$ 4,006,120	17.10%
	2015	709,690	709,690	-	3,892,551	18.23%
	2016	621,101	621,101	-	3,405,159	18.24%
	2017	558,213	558,213	-	3,062,764	18.23%
	2018	588,907	588,907	-	3,217,677	18.30%
	2019	704,754	704,754	-	3,812,960	18.48%
	2020	809,362	809,362	-	4,389,531	18.44%
Tier 2 Public Employees System	2014	91,550	91,550	-	654,480	13.99%
	2015	144,581	144,581	-	968,502	14.93%
	2016	235,243	235,243	-	1,588,632	14.81%
	2017	291,800	291,800	-	1,961,768	14.87%
	2018	378,026	378,026	-	2,483,898	15.22%
	2019	476,880	476,880	-	3,067,809	15.54%
	2020	574,460	574,460	-	3,664,672	15.68%
Tier 2 Public Employees DC Only System***	2014	1,083	1,083	-	19,434	5.57%
	2015	1,701	1,701	-	25,311	6.72%
	2016	4,372	4,372	-	71,630	6.10%
	2017	8,201	8,201	-	150,105	5.46%
	2018	8,257	8,257	-	111,525	7.40%
	2019	11,731	11,731	-	157,660	7.44%
	2020	21,247	21,247	-	313,936	6.77%

* In accordance with paragraph 81.a of GASB 68, the Center will need to disclose a 10 year history of contributions in its RSI. The Center will continue to present information for available years until a full 10-year trend is compiled.

** Contributions as a percentage of covered-employee payroll may be different than the URS Board certified rate due to rounding or other administrative issues.

*** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Salt Lake Valley Emergency Communications Center
Notes to Required Supplementary Information
June 30, 2020

Changes of Assumptions

The assumptions and methods used to calculate the total pension liability remained unchanged from the prior year.