

# Utah Communications Agency Network

## Financial Report

For the Fiscal Year Ended June 30, 2013



Rocky Point

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November 30, 2012

UCAN Executive Committee  
5360 South Ridge Village Drive  
Salt Lake City, Utah 84118

Dear Executive Committee:

Attached please find the independent audit report for the 2012-2013 year of operations for the Utah Communications Agency Network (UCAN). This is our fifteenth year of operations. We continued to identify issues critical to the successful operation and financial management of UCAN, its assets and funding. During the past year, UCAN worked diligently to ensure the continued operation and maintenance of the system to support the public safety community. In addition to maintaining service, additional coverage has been developed by completing new sites. This additional coverage has complemented the work done in past years and extends the UCAN footprint further into rural Utah. Part of the goals of UCAN has been to increase the coverage for state users to be commensurate with the additional rate they pay. Using UCAN dollars combined with dollars from the Public Safety Interoperable Communications (PSIC) program supported by the National Telecommunications Information Agency (NTIA), we have added even more coverage supporting not only state users, but local governmental user too.

Construction projects completed this year for new coverage included sites at Bald Mesa and Abajo Peak. We also improved coverage in the Cedar Valley by redesigning the combination of sites and towers located in Utah County, and moving one site from the Utah County Jail to a new location at Cedar Pass in Eagle Mountain. All of these changes added coverage to the existing system footprint. A site was developed at Utah State University to improve coverage for public safety communications in campus.

Microwave Systems were upgraded to provide the network to each of these locations. All of this work was completed with UCAN staff and temporary contractors. It should be noted that our staff consists of 10 employees, including management, administrative, and technical members. It would be a challenge to find another agency of government that consistently completes this amount of planning and workload. As always, our focus is to complete work in the short mountain top construction season and meet the time frames as dictated by grant funding and winter months.

UCAN, in cooperation with Salt Lake City Corporation, completed the upgrade of the system Cores (controllers) this fall. These devices are what provide the traffic management of the calls placed on the system. By combining efforts, each agency saved capital expense dollars and provided a unified network and system infrastructure.

In addition to new construction, we plan to remodel existing simulcast systems located in Weber and Davis counties which will add additional channels to the already installed sites. This will increase capacity as the number of agencies and the corresponding population base we serve has grown since the inception of the original UCAN system. Funding is available for these projects.

We are also working on a state legislative initiative to explore funding options to support public safety communications. During the 2012 session of the Legislature, HB 388 was passed to establish a Public Safety Communications Task Force comprised from members of the legislature and the public safety community to develop a plan and make recommendations for the upgrade and replacement of the existing system, and to establish a permanent funding source to implement systems long term. While in its beginning stages, our desire is that this effort will provide vision, direction and growth to develop a statewide system as mandated in our founding legislation. The Task Force Report is due for completion in December of 2014.

As we work on various opportunities that will expand and improve the system, we are grateful to our Executive Committee and agency organizations that are supportive of the proposals we present. This year will certainly bring challenges and opportunities, which we will address and deal with as they arise. We want the Executive Committee and Board to know that we have approximately 170 agencies that use the UCAN system. This continues to be a national model of cooperation and success in public safety communications service. The governance of the system continues to hear the voice of all members in developing common solutions. We will review the results of this audit and plan to implement any recommended changes.

We recognize the need to continually work on and improve our operations. Thank you for your support.

Sincerely,



Steve Proctor  
Executive Director



KARREN | HENDRIX | STAGG | ALLEN  
COMPANY  
A Professional Corporation

Ray H. Allen, CPA  
Rebecca M. Allred  
Robert L. Archuleta, CPA  
Stephen R. Capson, CPA  
Scott J. Hanni, CPA  
Danny L. Hendrix, CPA  
B. Joe Merkley, CPA  
Tim C. Rees, CPA  
Jeffrey N. Ririe, CPA  
G. John Runia, CPA  
R. Ted Stagg, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Executive Committee, Audit Committee and Executive Director Steven Proctor  
Utah Communications Agency Network, Utah

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund of the Utah Communications Agency Network (UCAN) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, of UCAN as of June 30,

CERTIFIED PUBLIC ACCOUNTANTS

2013, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UCAN's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and the schedule of operating budget to actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of UCAN'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 UCAN's internal control over financial reporting and compliance.

*Kern, Handlin, Stagg, Allen & Company*

Salt Lake City, Utah  
December 18, 2013

# Utah Communications Agency Network

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

As management of Utah Communications Agency Network (UCAN), we offer readers of UCAN's financial statements this narrative discussion, overview and analysis of the financial activities of UCAN for the fiscal year ending June 30, 2013. This discussion is intended to enhance the understanding of the accompanying financial statements, footnotes and supplementary information.

### Financial Highlights

- On June 19, 2002 the UCAN Board passed a Reserve Policy that established three reserve funds; an Emergency Repair and Replacement fund for use in the event of an emergency in which a significant part of the Agency system is damaged or destroyed, and is not covered through Risk Management Insurance, an Operating Reserve fund for use in the event of an unanticipated budgetary shortfall that is outside of management control, and a Capital Reserve fund for future upgrades or replacement of the Utah Communications Agency Network system. This policy provided for initial funding of \$100,000, \$100,000 and \$500,000 respectively from the sale of equipment from the 2002 Winter Olympics, as well as ongoing funding in each budget year beginning with the fiscal year ending June 30, 2004. Periodically the Board has approved additional transfers into these funds, and in May, 2012 the Board approved the use of \$1,763,000 from the Capital Reserve fund for upgrading the system controller. As of June 30, 2013, the balance in each of the funds was \$261,962, \$231,162, and \$1,678,366, respectively.
- UCAN and Salt Lake City entered into a collective contract with Motorola on May 2, 2012 to upgrade the system controller to a new platform. UCAN's portion of the contract is \$4,926,186, which includes change orders from the original contract. The Board approved to pay cash for the upgrade in May 2012, with \$3,046,000 from the Capital Reserve Account and \$1,763,000 from the Debt Reserve Account. The remaining balance will to come from operating funds. As of June 30, 2013, \$1,466,642 has been disbursed for this contract. This upgrade will be implemented in the fall of 2013.
- UCAN was awarded \$1,380,652 of Public Safety Interoperable Communications (PSIC) Grant to be used in projects to expand into the Southern regions of the State. On May 19, 2009, the UCAN Board voted to use \$1,000,000 out of the Capital Reserve fund as matching funds for this effort. The final expenditures were completed and the grant was closed as of June 30, 2012.

The last two sites funded through this grant were completed in the fall of 2013. They were:

- Bald Mesa
- Abajo Peak

# Utah Communications Agency Network

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

- There is an ongoing project to upgrade the microwaves throughout the system. The UCAN Board originally approved \$287,300 for this project. As of June 30, 2012, \$48,892 of this amount has been spent.
- In order to meet system usage growth, the UCAN Board approved upgrades in the following geographical areas:
  - Weber/Davis Simulcast has an approved budget of \$800,000. Of this amount, \$648,298 is remaining.
  - Utah County Simulcast has an approved budget of \$600,000. Of this amount, \$473,421 is remaining. With the completion of the projects related to the PSIC funding, UCAN has started to devote more resources to this effort.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to UCAN's basic financial statements. UCAN's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

### Financial Statements

The financial statements are designed to provide readers with a broad overview of UCAN's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the assets and liabilities of UCAN, 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 UCAN is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the net position of UCAN changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected services fees and earned but unused vacation leave).

# Utah Communications Agency Network

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

The *Statement of Cash Flows* presents information showing how the cash and cash equivalents of UCAN changed during the most recent fiscal year because of cash flows.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information comparing the operating budget adopted by the UCAN Board with actual operating income and expenses for the most recent fiscal year.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of UCAN, assets exceeded liabilities by \$25,745,615 at the close of the most recent fiscal year.

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 13,039,915	\$ 13,731,465
Capital Assets	<u>17,085,114</u>	<u>17,233,117</u>
Total Assets	<u>30,125,029</u>	<u>30,964,582</u>
Long-term Liabilities	1,790,236	4,064,263
Other Liabilities	<u>2,589,178</u>	<u>2,669,478</u>
Total Liabilities	<u>4,379,414</u>	<u>6,733,741</u>
Net Position:		
Invested in Capital Assets, net of related debt	15,451,619	14,196,069
Restricted	1,204,149	1,173,400
Unrestricted	<u>9,089,847</u>	<u>8,861,372</u>
Total Net Position	<u>\$ 25,745,615</u>	<u>\$ 24,230,841</u>

The largest portion of UCAN's net position (60%) reflects its investment in capital assets (e.g. buildings, radio infrastructure, vehicles, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding. UCAN uses these assets to provide radio services to public agencies and state and federal agencies; consequently, these assets are not available for future spending. Although UCAN's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# Utah Communications Agency Network

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Restricted net position (4.7%) are funds that are paid to the Trustee and set in reserve for the semi-annual bond payments. This amount varies during the fiscal year as funds build up and payments are made.

The remaining portion of UCAN's net position (35.3%) represents unrestricted assets. The UCAN Board has designated \$2,171,490 for reserves to be used only for emergency repair and replacement of capital assets, operating reserves, and future upgrade and replacement of the UCAN system. UCAN uses the remaining unrestricted assets to meet ongoing obligations to employees and creditors, including repayment of debt.

At the end of the current fiscal year, UCAN is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Total net position increased \$1,514,774 over the prior fiscal year. The largest increases to net position are from the reduction of the long-term debt and the acquisition of capital assets for capital projects. The largest decrease is from the depreciation of capital assets.

### UCAN Activities

The key elements of the increase in UCAN's net position for the year ended June 30, 2013 are as follows:

# Utah Communications Agency Network

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

### UCAN's Changes in Net Position

	<u>2013</u>	<u>2012</u>	Increase (Decrease) from <u>Fiscal 2012</u>
Revenues			
Operating Revenues:			
Charges for Services	\$ 5,398,325	\$ 5,171,544	\$ 226,781
Rental Income	155,340	163,080	(7,740)
Other	59,693	45,976	13,717
Non-Operating Revenues:			
Gain on Disposal of Assets	5,000	5,417	(417)
Interest Income	75,196	69,184	6,012
Total Revenues	<u>5,693,554</u>	<u>5,445,201</u>	<u>238,353</u>
Expenses:			
Operating Expenses:			
Administrative Costs	74,330	55,624	18,706
Depreciation	2,121,104	2,248,505	(127,401)
Insurance	32,203	25,531	6,672
Interest Expense	71,651	119,275	(47,624)
Maintenance	586,410	629,520	(43,110)
Outside Services	64,008	72,564	(8,556)
Payroll Expenses	1,044,226	1,009,983	34,243
Professional Fees	111,630	106,560	5,070
Rents and Leases	397,660	370,934	26,726
Travel	14,555	12,859	1,696
Utilities	79,236	71,946	7,290
Non-Operating Expenses:			
Financing Costs	19,849	19,849	--
Total Expenses	<u>4,616,862</u>	<u>4,743,150</u>	<u>(126,288)</u>
Increase/(Decrease) in Net Position before			
Contributions, Special and Extraordinary Items	1,076,392	712,051	364,641
Capital Contributions:			
Capital Contribution from Federal Grant	540,000	388,864	151,136
Special Items:			
Expense due to Change in Policy	(101,918)	--	(101,918)
Extraordinary Items:			
Sprint/Nextel Re-banding Income	--	389	(389)
Increase/(Decrease) in Net Position	1,514,774	1,101,304	413,470
Net Position – beginning	<u>24,230,841</u>	<u>23,129,537</u>	<u>1,101,304</u>
Net Position – ending	<u>\$ 25,745,615</u>	<u>\$ 24,230,841</u>	<u>\$ 1,514,774</u>

UCAN continues to add new users to the system as the system grows and expands into new areas of the state. This has resulted in a total increase in service fees of \$226,781 in the current fiscal year.

# Utah Communications Agency Network

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

The increase in Administrative Costs was largely due to a one-time write off of Bad Debt in the amount of \$9,243, and the purchase of software that was expensed due to the change in UCAN's capitalization policy.

Depreciation decreased was due to the change in UCAN's capitalization policy, as well as assets reaching the end of their useful lives.

Interest Expense has decreased due to the principal balance of the long-term debt decreasing with each debt service payment.

While Maintenance costs were down \$43,110 from the prior year, this is only a 6.8% decrease, indicating that Maintenance costs remained fairly constant.

Payroll increased by 3.4% from the prior year. This is mainly the result of a 2% cost of living increase to the employees.

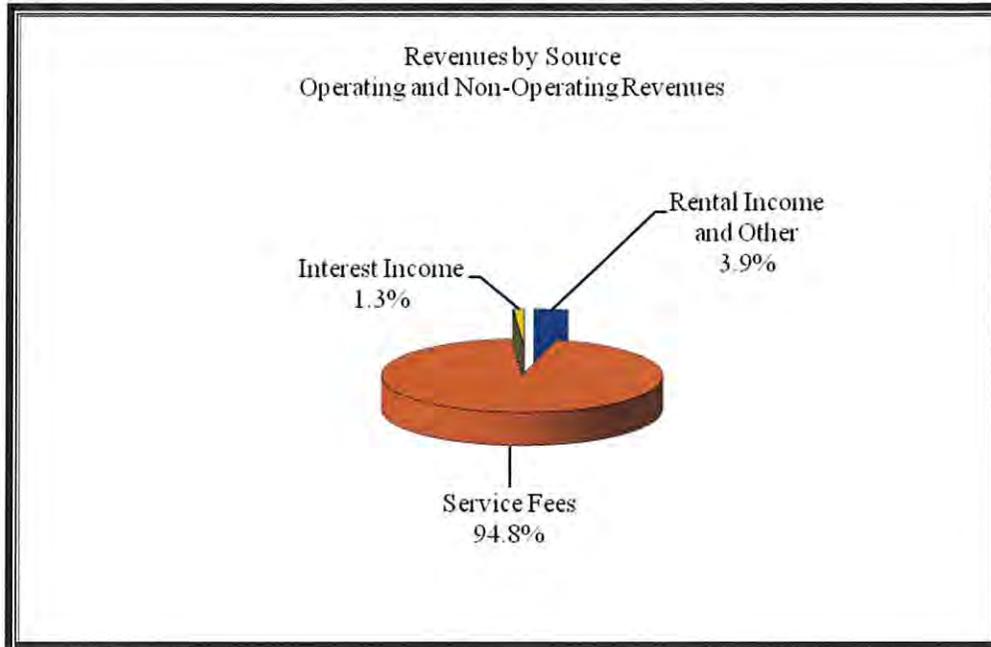
The increase in Rents and Leases is due to new leases that started mid-year in the prior year, as well as normal built in annual increases in the lease agreements.

The increases in Capital Contribution from Federal Grants, and Federal Grants Reimbursement was the result of a new grant awarded to UCAN from Salt Lake City for the purchase of new equipment.

The increase in Expense Due to Change in Policy is the result of a change in UCAN's capitalization policy for new assets, increasing from \$1,000 to \$5,000. As a result of this change, \$101,918 of un-depreciated assets from prior years with a purchase price under \$5,000 was expensed.

# Utah Communications Agency Network

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013



### Financial Analysis of Individual Funds

UCAN is an independent agency of the State of Utah, operating as a separate proprietary entity. Therefore, UCAN does not have individual funds. The financial analysis for UCAN can be found in the discussions above.

### Budgetary Analysis

Major differences between the final budget and actual revenues and expenses are briefly summarized as follows:

Actual revenues were \$232,039 higher than budgeted revenues and actual expenses were \$309,831 lower than budgeted expenses, resulting in a net increase of \$541,870.

Service Fees were \$158,536 higher than budgeted. This is mainly due to an increase in the number of users in the Washington County area with the completion of new sites in that area. When the budget was created, it was anticipated that approximately 520 new users would come onto the system for that area, which ultimately turned into over 1,000 new users.

Other income is typically not budgeted, as this is not on-going, recurring income. There was \$59,693 in Other income this year mainly due to selling some used radios to agencies that were not required to be capitalized, and billing out Technician time for programming a new type of radio used in the system.

# Utah Communications Agency Network

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

The largest differences in expenses were in Maintenance, Outside Services, and Depreciation.

Maintenance was \$205,484 lower than budgeted. Maintenance is a difficult item to project, and can go up and down from year to year. It is based on parts of the system failing to function correctly, winter storms that can cause wind, ice or lightning damage, and the age of the system. While the system continues to age, the trend for maintenance costs has been increasing over the last several years, and the budget has reflected that trend. However, the other factors are unpredictable. This year was unusual, in that the costs actually decreased.

Outside services was lower by \$81,492 as the need for consultants was lower than anticipated.

Depreciation was \$78,896 lower than budgeted. This is the result of a change in capitalization policy, which expensed assets between \$1,000 and \$5,000 from both the current and prior years..

### Capital Asset and Debt Administration

#### Capital Assets

UCAN's investment in capital assets at June 30, 2013 was \$17,085,114 (net of depreciation). This investment in capital assets includes buildings and towers, operating equipment (microwaves, antennas, and radio infrastructure), office equipment, software and vehicles. The total decrease in UCAN's capital assets for the current fiscal year was \$148,003. This is largely made up of a decrease for depreciation of \$2,121,104, an increase in Operating Equipment of \$446,339, a decrease in Construction-In-Progress of \$433,715 as sites were completed, an increase in Construction-In-Progress of \$1,775,679 as the system upgrade and new construction began, and an increase in Buildings and Towers of \$143,148.

Of the capital assets, 86.0% (\$11,781,718 in operating equipment and \$2,911,958 in buildings and towers) represents components of the UCAN system.

# Utah Communications Agency Network

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

### UCAN's Capital Assets (Net of Depreciation)

<u>Description</u>	<u>2013</u>	<u>2012</u>
Construction-In-Progress	\$ 2,214,285	\$ 872,321
Office Equipment	674	44,799
Furniture and Fixtures	--	--
Leasehold Improvements	18,492	21,779
Buildings/Towers	2,911,958	2,843,839
Operating Equipment	11,781,718	13,260,749
Software	18,816	24,615
Vehicles	<u>139,171</u>	<u>165,015</u>
Total Capital Assets	<u>\$ 17,085,114</u>	<u>\$ 17,233,117</u>

### Debt Administration

On September 15, 2002, the Utah Communications Agency Network Emergency Communications System Refunding Revenue Bonds, Series 2002 were issued to refund all of the Utah Communications Agency Network Communications Equipment Lease Purchase Certificates of Participation, Series 1999. The bonds were issued for \$12,865,000 and are expected to be paid off in September 2013.

### UCAN's Outstanding Debt

	<u>2013</u>	<u>2012</u>
Revenue Bonds	1,415,000	2,765,000

Additional information on UCAN's long-term debt can be found in Note 6 of the financial statements.

### Economic Outlook

The technology business requires a constant view of the horizon to insure current needs are being met and to develop a direction and migration plan to whatever the future might bring. The existing UCAN system is nearing the end of its useful life, and is becoming technologically obsolete. Many components of the system are no longer manufactured as of December 2012. UCAN, in a combined effort with Salt Lake City, has contracted with Motorola to upgrade the controller piece of the system to the new ASTRO 25 with SmartX platform. This will bring the

# Utah Communications Agency Network

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

controller up to date with the most current technology. The new piece of technology will continue to operate with the existing infrastructure and user equipment, as well as function with the newest and most currently available equipment. This will allow for a migration path in updating the infrastructure, and allow those agencies to begin replacing their user equipment as needed. This upgrade is anticipated to be complete by the end of 2013

Going forward, we are evaluating the need to upgrade and replace existing simulcast and repeater sites, microwave connectivity, equipment routers, generators, power supplies, and other equipment as needed. The process to upgrade all of the major components of the system will likely take place in phases over several years, and will require the existing system to remain operational. In order to do this, we are involved with developing legislation that will help meet these needs. Through these efforts House Bill 388 was passed in the 2012 Utah State Legislative Session, establishing a Government Communications Task Force. The purpose of this task force is to review and make recommendations on governmental radio communications systems in respect to current capacity and technologies, projected needs or upgrades, opportunities to increase operation efficiencies and effectiveness, and sustainable funding alternatives. They are expected to present a final report and any proposed legislation to the Utah State Executive Appropriations Committee before December 31, 2014.

House Bill 172, passed in the 2012 Utah State Legislative Session, modified the Utah Communications Agency Network Act in regards to functions and board membership. In particular, it directs UCAN to operated on a statewide basis, and provide the public safety network for all state and local governmental agencies. As a result of this legislation, UCAN is working with the Utah State Division of Technology Services to merge the public safety radio service they provide into UCAN's operations. The terms of this merger are under current negotiations, and the merger is expected to be completed by July 1, 2014.

UCAN continues to evaluate performance of existing sites as well as new areas and will add and relocate infrastructure as needs are identified. Many projects have been identified and most of these projects are either currently in process, or will be completed in the near future.

### Request for Information

This financial report is designed to provide a general overview of UCAN's finances for all those with an interest in UCAN's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Utah Communications Agency Network, 5360 S. Ridge Village Dr., Salt Lake City, UT 84118.

# Utah Communications Agency Network

## Statement of Net Position

As of June 30, 2013

### Assets

#### Current Assets

Cash and Cash Equivalents (Notes 2, 4)	\$ 10,390,099	
Cash and Cash Equivalents Held by Trustee (Notes 2, 4)	1,204,149	
Accounts Receivable (Note 8)	530,284	
Receivable from Federal Government	540,000	
Deferred Outflows (Note 2)	4,135	
Prepaid Expenses (Note 2)	56,135	
Total Current Assets	\$ 12,724,802	

#### Non-Current Assets

Prepaid Expenses (Note 2)	315,113	
Capital Assets (Notes 2, 7, 11)		
Construction-In-Progress	\$ 2,214,285	
Office Equipment	185,245	
Furniture and Fixtures		
Leasehold Improvements	32,422	
Buildings/Towers	4,659,789	
Operating Equipment	31,796,622	
Software	97,950	
Vehicles	362,251	
Accumulated Depreciation (Notes 2, 7)	(22,263,450)	
Net Capital Assets	17,085,114	
Total Non-Current Assets		17,400,227

#### Total Assets

30,125,029

### Liabilities

#### Current Liabilities

Accounts Payable (Note 9)	133,994	
Payroll Liabilities	39,298	
Unearned Income (Note 2, 6)	902,295	
Interest Payable	24,201	
Capital Lease Obligations (Note 6, 11)	27,176	
Revenue Bonds Payable (Note 6)	1,419,949	
Compensated Absences (Notes 2)	42,265	
Total Current Liabilities	2,589,178	

#### Non-Current Liabilities

Deferred Income (Note 6)	1,382,298	
Capital Lease Obligations (Note 11)	186,370	
Compensated Absences (Notes 2, 6)	221,568	
Total Non-Current Liabilities	1,790,236	

#### Total Liabilities

4,379,414

### Net Position

Invested in capital assets, net of related debt		15,451,619
Restricted		1,204,149
Unrestricted		9,089,847

#### Total Net Assets

\$ 25,745,615

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

**Utah Communications Agency Network**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2013

<b>Operating Revenues</b>		
Radio Services Fees	\$ 5,398,325	
Rental Income	155,340	
Other	<u>59,693</u>	
Total Operating Revenues (Note 3)		\$ 5,613,358
<b>Operating Expenses</b>		
Administrative Costs	74,330	
Depreciation Expense (Note 2)	2,121,104	
Insurance	32,203	
Interest Expense (Note 12)	71,651	
Maintenance	586,410	
Outside Services	64,008	
Payroll Expenses	1,044,226	
Professional Fees	111,630	
Rents and Leases (Note 10)	397,660	
Travel	14,555	
Utilities	<u>79,236</u>	
Total Operating Expenses		<u>4,597,013</u>
Net Operating Income (Loss)		1,016,345
<b>Non-Operating Income (Expenses)</b>		
Interest Income		75,196
Gain on Disposal of Assets		5,000
Financing Costs (Note 2)		<u>(19,849)</u>
Income Before Other Revenues, Expenses, Gains and Losses		1,076,692
<b>Capital Contributions</b>		
Capital Contribution from Federal Grants (Note 16)		540,000
<b>Special Items</b>		
Expense Due to Change in Policy (Note 15)		<u>(101,918)</u>
Change in Net Position		1,514,774
Beginning Net Position		<u>24,230,841</u>
Ending Net Position		<u><u>\$ 25,745,615</u></u>

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

# Utah Communications Agency Network

## Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

### Cash Flows from Operating Activities

Receipts from Customers and Other Sources	\$ 4,639,737	
Payments to Suppliers	(1,158,417)	
Payments for Employee Services and Benefits	<u>(1,027,300)</u>	
Net Cash Provided (Used) by Operating Activities		\$ 2,454,020

### Cash Flows from Capital and Related Financing Activities

Receipts from Federal Grants	388,864	
Receipts from Sale of Capital Assets	5,000	
Principal Paid on Financing	(1,350,000)	
Principal Paid on Capital Lease Obligations	(25,435)	
Acquisition and Construction of Capital Assets	(2,110,392)	
Interest Paid	<u>(119,881)</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities		(3,211,844)

### Cash Flows from Investing Activities

Receipts of Interest from Investments	<u>75,196</u>	
Net Cash Provided (Used) by Investing Activities		<u>75,196</u>

Net Increase (Decrease) in Cash and Cash Equivalents		\$ (682,628)
Beginning Cash and Cash Equivalents		<u>12,276,876</u>
Ending Cash and Cash Equivalents		<u>\$ 11,594,248</u>

### Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Net Operating Income (Loss)		\$ 1,016,345
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Not Requiring Cash		2,121,104
Interest Expense for Financing		71,651
Changes in Assets and Liabilities:		
Decrease in Customer Accounts Receivable		107,543
Decrease in Prepaid Items		27,667

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

# Utah Communications Agency Network

## Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

Decrease in Deferred Income	(995,264)
Increase in Compensated Absenses	28,560
Increase in Accounts Payable to Suppliers/ Accrued Liabilities	<u>76,414</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,454,020</u>
 <b>Non-Cash Investing, Capital, and Financing Activities</b>	
Equipment from Federal Revenues	\$ 540,000
Equipment from Trade	<u>50,000</u>
Total Non-Cash Investing, Capital and Financing Activities	<u>\$ 590,000</u>

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

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### 1. Organization

Utah Communications Agency Network (UCAN) was established by the Utah State Legislature in 1997 as stated in section 63C-7 of the Utah Code, Annotated, 1953, as amended. It is independent from the State of Utah (the State), and its purpose is to provide public safety communications services and facilities on a regional or statewide basis for the benefit and use of public agencies and state and federal agencies. The fiscal year ending June 30, 1999 was UCAN's first year of operations.

UCAN's governing board is made of twelve representatives from local governments and five representatives from the State.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting –

The accounting and reporting policies of UCAN conform with generally accepted accounting principles and follow the economic resource measurement focus and accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

UCAN applies all Governmental Accounting Standards Board (GASB) pronouncements, and all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this Statement is effective for fiscal year 2014. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which are both effective for fiscal year 2014, and GASB Statement No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*, which is effective for fiscal year 2015.

These new accounting and reporting standards may impact UCAN's recognition and timing of assets and liabilities in the financial statements. The requirements of these statements may require restating of beginning net assets. UCAN is not planning to early implement these Statements and has made no estimation of the effect these Statements will have on the financial statements.

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### Cash Equivalents –

Cash Equivalents are stated at fair value. These are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

### Funds Held by Trustee –

The Refunding Revenue Bonds require monthly deposits to be made into a trust account with Zions First National Bank. Deposits into this account are restricted for use by the trustee to make any scheduled bond payments, and are used before any unrestricted funds for that purpose. These funds are invested by the instruction of the State Treasurer. All funds held by the trustee are currently being held in the State of Utah Public Treasurer's Investment Fund.

### Capital Assets –

UCAN defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital Assets are stated at historical cost. The cost of the asset includes ancillary charges necessary to place the asset into service. Interest incurred relating to the construction of assets is capitalized and added to the cost of the asset during the construction period. Expenditures that add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is expensed using the straight-line method over the estimated useful lives of the individual assets or the term of the related capital lease as follows:

<u>Capital Assets</u>	<u>Years</u>
Buildings/Towers	20
Microwaves	20
Solar Equipment	20
Building Under Capital Lease	17.8
Radio System Infrastructure	15
Console Equipment	15
Antennas/Power Supplies	10
Vehicles	5
Software	5
Office Equipment	5
Furniture and Fixtures	5

Leasehold Improvements are depreciated over the remaining life of the asset being leased. Construction-In-Progress is not depreciated until the asset is complete and placed in service.

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### Deferred Outflows –

Deferred Outflows consist of the costs of issuing Revenue Bonds. These costs are amortized over the life of the Bonds using the straight-line method. At June 30, 2013 there was \$4,135 in deferred charges, and \$19,849 was expensed for the year ended June 30, 2013.

### Prepaid Expenses –

Prepaid expenses mainly consists of a pre-paid lease on space used by UCAN employees, and pre-paid sites leases. In addition, there are small number of expenses that are pre-paid at year end.

### Unearned Income –

Unearned Income is made up of pre-paid radio service fees. Most of this is a result of trades made with agencies for equipment in exchange for service fees.

### Compensated Absences –

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of six hours every two weeks after ten years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year.

Employees earn sick leave at a rate of four hours for each two-week period, with no limit to the amount that can be accumulated. Sick leave is expensed when used. In addition, an employee who has accrued 144 hours of unused sick leave may be eligible to convert up to 64 hours to "converted sick" leave in a given year which may be treated as additional vacation or sick leave. UCAN does not reimburse employees for unused sick leave or converted sick leave upon termination, except employees eligible for retirement. At retirement, UCAN will contribute 25 percent of the value of employee's accrued unused sick leave and converted sick leave into an approved 401(k) account. The remainder of the unused sick leave and converted sick leave will be deposited into a medical reimbursement account, established by the Utah Retirement Office, at the employee's current rate of pay. The employee may then use this account to purchase health care at their own discretion.

A liability for compensated absences has been recorded, and funds have been set aside in a separate account with the Utah State Public Treasurer's Investment Fund.

### Use of Estimates –

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

The preparation of these financial statements required the use of estimates by management in determining UCAN's assets, liabilities, revenues and expenditures.

### 3. Revenues

UCAN has a Service Contract Agreement with each of the state, local or federal governmental entities that use its services. These agreements outline the services that UCAN offers and the related service fees that are collected in return. These fees, along with any other income related to providing radio services are the operating revenues for UCAN, and are used for operations and maintenance of the UCAN systems.

Non-operating revenue is income that is not related to providing radio services. This includes investment related income.

### 4. Cash and Cash Equivalents

Section 63C-7-305 of the Utah Code requires that the Utah State Treasurer invest all moneys held on deposit by or on behalf of UCAN. The Utah State Treasurer has invested most of the funds into the State of Utah's Public Treasurer's Investment Fund (PTIF), which is operated by the Utah State Treasurer's Office.

The Utah State Treasurer on behalf of UCAN follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of UCAN's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the 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 –

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, UCAN's deposits may not be returned to it. UCAN does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, UCAN's bank balance was \$724,968, of which \$474,968 was uninsured and uncollateralized.

Investments –

The Money Management Act defines the types of securities authorized as appropriate investments made by the State Treasurer on behalf of UCAN and the conditions for

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the State Treasurer to invest in negotiable or 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 Service or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; obligations, other than mortgage derivative products, issued by the 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); and the Utah State Public Treasurer’s Investment Fund.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Title 51, Chapter 7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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 operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2013, UCAN had \$9,916,895 of investments in the PTIF, which has a maturity of less than one year and is unrated.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As required by the Utah Code, UCAN’s funds are managed by the State Treasurer. The State Treasurer’s policy for managing its exposure to fair value loss arising from increasing interest rates 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

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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 days - 13 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

### 5. Risk Management and Insurance

UCAN is at risk for loss from general liability, property damage, and worker injury. Risk for general liability and property damage is covered by paying insurance premiums to the State's Risk Management Fund. Risk for worker injury is covered by paying worker's compensation insurance premiums to the Workers' Compensation Fund of Utah.

### 6. Long-Term Debt

The Utah Communications Agency Network Emergency Communications System Refunding Revenue Bonds, Series 2002 were issued to refund all of the Utah Communications Agency Network Communications Equipment Lease Purchase Certificates of Participation, Series 1999. The Revenue Bonds were issued on September 15, 2002 for \$12,865,000 with interest rates of 2.0% to 5.0% for an eleven-year period. The long-term debt balance as of June 30, 2013 was \$1,415,000. The bond is secured by the net revenues of UCAN and monies on deposit in the funds and accounts of UCAN. Annual principal and interest payments on the bonds are expected to require approximately 48.58% of net revenues over the next year. Net revenues recognized during the current year were \$3,178,906, and principal and interest paid was \$1,454,500.

Payments to maturity for fiscal years ending June 30 are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,415,000	\$ 35,375	\$ 1,450,375
Unamortized Premiums	<u>4,949</u>		<u>4,949</u>
Total	<u>\$ 1,419,949</u>	<u>\$ 35,375</u>	<u>\$ 1,455,324</u>

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

Activity for Long-Term Liabilities for the year ended June 30, 2013 is as follows:

Liabilities:	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Unearned Income	\$ 3,234,857	\$ 50,133	\$ 1,000,397	\$ 2,284,593
Capital Leases Obligations	238,981	--	25,435	213,546
Revenue Bond Payable	2,798,067	--	1,378,118	1,419,949
Compensated Absences	<u>235,273</u>	<u>69,404</u>	<u>40,844</u>	<u>263,833</u>
Total Long-Term Liabilities	<u>\$ 6,507,178</u>	<u>\$ 119,537</u>	<u>\$ 2,444,794</u>	<u>\$ 4,181,921</u>

The portion of Long-Term Liabilities due within one year of June 30, 2013 is as follows:

Liabilities:	<u>Due in One Year</u>
Unearned Income	\$ 902,295
Capital Lease Obligation	27,176
Revenue Bond Payable	1,419,949
Compensated Absences	<u>42,265</u>
Total Due Within One Year	<u>\$ 2,391,685</u>

### 7. Capital Assets

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Non-Depreciable Assets:</u>				
Construction-In-Progress	\$ 872,321	\$ 1,994,600	\$ 652,636	\$ 2,214,285
<u>Depreciable Assets:</u>				
Office Equipment	412,512	16,222	243,489	185,245
Furniture and Fixtures	32,547	--	32,547	--
Leasehold Improvements	35,980	--	3,558	32,422
Buildings/Towers	4,513,083	148,651	1,945	4,659,789
Operating Equipment	31,350,283	535,065	88,726	31,796,622
Software	100,268	--	2,318	97,950
Vehicles	375,926	33,117	46,792	362,251
Accumulated Depreciation	<u>(20,459,803)</u>	<u>(2,121,104)</u>	<u>(317,457)</u>	<u>(22,263,450)</u>
Total Fixed Assets:	<u>\$ 17,233,117</u>	<u>\$ 606,551</u>	<u>\$ 754,554</u>	<u>\$ 17,085,114</u>

Construction-In-Progress deletions are transferred as additions to Buildings/Towers and Operating Equipment. Additions to Accumulated Depreciation is Depreciation Expense for the current year.

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### 8. Accounts Receivable

UCAN's accounts receivables are all current and collectible, and there is not an allowance for uncollectible accounts. Accounts receivable consist of the following at June 30, 2013:

Receivable:	Balance <u>June 30, 2013</u>
Service Fees	\$ 433,586
Rental Income	12,838
Projects with Local Agencies	<u>83,860</u>
Total	<u>\$ 530,284</u>

### 9. Accounts Payable

All of UCAN's accounts payables at June 30, 2013 are with vendors for ongoing operations, site maintenance and construction of new sites.

### 10. Operating Leases

Various sites house the equipment needed for the UCAN systems network. UCAN has lease agreements in place for each of these sites, most of which renew annually. Commitments made for multiple year leases are listed below.

<u>Fiscal Year</u>	<u>Lease Commitment</u>
2014	\$ 396,027
2015	257,268
2016	207,679
2017	147,128
2018	130,191
2019-2023	414,309
2024-2028	82,333
2029-2033	<u>54,047</u>
Total Lease Commitment	<u>\$ 1,688,982</u>

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### 11. Capital Leases

On March 1, 2002, UCAN entered into a lease agreement for the lease of office space. The terms of the lease require that it be capitalized. The capitalized value of the lease of \$430,095 is based on the market value of the property at the inception of the lease. Of this amount, \$274,112 has been depreciated. The future minimum lease obligations as of June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Minimum Lease Payment</u>
2014	\$ 40,768
2015	40,768
2016	40,768
2017	40,768
2018	40,768
2019-2020	61,152
	<hr/>
Total Minimum Lease Payments	264,992
Less: Amount Representing Interest	<u>51,446</u>
Present Value of Minimum Lease Payments	213,546
Less: Amount Due Within One Year	<u>27,176</u>
Long-Term Portion of Lease	<u>\$186,370</u>

### 12. Interest Expense

Interest charges include the interest portion of capital lease payments and interest related to financing.

### 13. Commitments

UCAN entered into a 15-year contract with Ogden City where Ogden City gave UCAN a \$550,000 cash payment and allows UCAN the use of sites and towers in which to place UCAN equipment. In exchange UCAN provides radio service to Ogden City for up to 500 radios. This contract went into effect in September 2000.

In March 2003, UCAN entered into an inter-local cooperation agreement with Salt Lake County to consolidate the communications system of the County into the UCAN system. The County agreed to assign federal funds of \$2,160,000 earmarked for Salt Lake County to UCAN, and transferred equipment valued at \$2,040,000 to UCAN in exchange for 10

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

years of service for up to 2000 radios. The project was completed and Salt Lake County's radios came onto the system in November 2004.

A Memorandum of Understanding was entered into between UCAN and the City of Logan, effective March 1, 2009, in which the City of Logan would exchange \$943,585 of equipment for radio service on the UCAN system. Approximately 700 new radios in the Cache County area came onto the UCAN system in March 2009. Construction of sites and installation of equipment was completed in November 2009 and final costs of equipment totaling \$1,067,399 exchanged hands. The trade for service is expected to run through approximately July of 2015.

A Memorandum of Understanding was entered into between UCAN and the City of St. George and Hurricane City, effective March 22, 2010, in which the City of St. George would exchange equipment for radio service on the UCAN system. Five sites were completed in February 2011, and approximately 300 radios were added to the system at that time. The exchange value for those sites was \$732,979. Approximately 200 additional radios came onto the system in November 2011, and four additional sites were completed in May of 2013. The exchange value for these additional sites was \$377,569, with a total exchange of \$1,110,548.

UCAN entered into an agreement with the Hurricane Valley Fire Special Service District (Fire District) on April 24, 2013 to purchase and install equipment for the rural Washington County areas. The Fire District would pay for the equipment through a federal grant, along with \$434,130 in pre-paid user fees for rural area agencies to be on the UCAN system for approximately six years.

On May 2, 2012, UCAN and Salt Lake City Corporation (SLC) entered into a collective contract with Motorola to upgrade the existing 800MHz system from the SmartZone 4.1 platform to Motorola's next generation ASTRO 25 with SmartX platform. The existing SmartZone platform has nearly reached its useful life, and is becoming technologically obsolete. This will bring the system current, and better allow for future growth within the system. In the agreement, UCAN and SLC will share the cost of the upgrade. The total purchase price is \$5,965,961, with UCAN responsible for \$4,814,052 of this amount. Work has been started on this effort, with completion anticipated around the end of 2013.

#### 14. Retirement Plans –

UCAN participates in the Utah Retirement System's (the System) noncontributory pension plan covering state employee groups, school districts, and other local governmental entities. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system. Retirement benefits are determined in accordance with Title 49 of the *Utah Code* and are based on age, years of credited service, and

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

highest average monthly salary. The System covers all full-time employees and part-time employees hired into positions requiring 20 or more hours of work per week for a period of at least nine months. The System issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

For an employee participating in the noncontributory pension plan, an actuarially determined employer contribution of 18.76% of the employee's salary is made which is not credited to the employee's account but vests to the employee upon retirement. An additional 1.5% is contributed to the employee's 401(k) deferred income plan.

An employee participating in the System becomes eligible for monthly retirement benefits with 4 years of service at age 65, 10 years of service at age 62, 20 years of service at age 60, and 30 years of service at any age. Benefits are reduced for an employee under age 65 who retires with less than 30 years of service. A reduction in the retirement benefit is made for an employee with 25 years of service who retires prior to age 60.

The Program contributions to the System's noncontributory pension plan for the years ending June 30, 2013, 2012 and 2011 were \$87,321, \$77,785, and \$74,075 respectively, and contributions to the System's 401(k) deferred income plan for the years ending June 30, 2013, 2012 and 2011 were \$39,541, \$38,582, and \$37,642, and \$31,620 respectively. The contributions were equal to the required contributions for the year. In addition, participating employees contributed \$55,474 into their 401(k) deferred income plans and \$36,128 into their 457 deferred income plans for the year ended June 30, 2013. All contributions have been made on their monthly due dates. UCAN has no liability to pay retirement benefits should the system fail.

The Executive Director of UCAN is a contracted employee and is not part of the Utah Retirement System above. UCAN contributes 12.26% of the Executive Director's base pay to a retirement plan of the director's choice.

### 15. Special Items –

The UCAN Board of Director made a change to the capitalization policy, increasing the amount required to be capitalized from \$1,000 to \$5,000. As a result of this change, fixed assets and accumulated depreciation was reduced by \$378,416 and \$276,499 respectively. The difference of \$101,917 was expensed.

# Utah Communications Agency Network

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

### 16. Joint Ventures –

UCAN and SLC have entered into an agreement to collectively upgrade the UCAN system to the next generation ASTRO 25 with SmartX platform. They are sharing in the cost and ownership of this system. SLC also sub-contracted with UCAN for \$540,000 in federal grants to help pay for this system.

As part of the effort to make UCAN a going concern, the State has provided various resources for start up purposes. There was an initial appropriation made to UCAN from the State for start up capital. UCAN does not anticipate receiving additional appropriations.

In addition, UCAN receives legal counsel from the State's Attorney General's office at no cost.

Management has evaluated subsequent events through December 18, 2013, the date in which the financial statements were available to be issued.

### 17. Subsequent Events –

Management has evaluated subsequent events through December 18, 2013, the date in which the financial statements were available to be issued.

# Utah Communications Agency Network

Supplementary Information  
For the Fiscal Year Ended June 30, 2013

## Schedule of Operating Budget Comparison to Actual

	Original/Final Budget	Actual	Over/(Under)
<b>Operating Revenues:</b>			
Service Fees	\$ 5,239,790	\$ 5,398,325	\$ 158,536
Rental Income	141,530	155,340	13,810
Other	--	59,693	59,693
Total Revenues	<u>5,381,320</u>	<u>5,613,358</u>	<u>232,039</u>
<b>Operating Expenses:</b>			
Administrative Costs	64,912	74,330	9,418
Depreciation Expense	2,200,000	2,121,104	(78,896)
Insurance	31,000	32,203	1,203
Interest Expense	71,603	71,651	48
Maintenance	791,894	586,410	(205,484)
Outside Services	145,500	64,008	(81,492)
Payroll Expenses	1,041,935	1,044,226	2,291
Professional Fees	127,000	111,630	(15,370)
Rents and Leases	374,000	397,660	23,660
Travel	15,000	14,555	(445)
Utilities	70,000	79,236	9,236
Total Expenses	<u>4,932,844</u>	<u>4,597,013</u>	<u>(335,831)</u>
<b>Net Operating Income/(Loss)</b>	<u>\$ 448,476</u>	<u>\$ 1,016,345</u>	<u>\$ 567,870</u>