

**MOUNTAINLAND ASSOCIATION
OF GOVERNMENTS**

Financial Statements

Year Ended June 30, 2019

DRAFT

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Table of Contents

Year Ended June 30, 2019

	Page
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	14
Statement of Fund Net Position - Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	16
Statement of Fund Cash Flows - Proprietary Fund	17
Notes to the Basic Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Association's Proportionate Share of Net Pension Liability (Asset) – Utah Retirement Systems	32
Schedule of Association Contributions – Utah Retirement Systems	33
Notes to Required Supplementary Information	34
OTHER INFORMATION (Unaudited):	
<i>General Fund</i> - Comparative Balance Sheets	35
<i>General Fund</i> - Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances	36

Independent Auditor's Report

Executive Council
Mountainland Association of Governments

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the proprietary fund information of Mountainland Association of Governments (the Association) as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund (a major fund), and the proprietary fund information of Mountainland Association of Governments as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, on our consideration of the Association'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 the Association's internal control over financial reporting and compliance.

Orem, Utah
October 21, 2019

Management's Discussion and Analysis

This section of Mountainland Association of Governments' (the Association) annual financial report presents management's discussion and analysis of the Association's financial performance during the year ended June 30, 2019. Please read it in conjunction with the Association's financial statements, which follow this section.

Financial Highlights

- The Association's assets and deferred outflows exceeded liabilities and deferred inflows by \$2,507,903 at the close of the most recent fiscal year.
- During the year, expenses were \$58,048 more than the \$23,184,215 generated in revenues for governmental activities.
- Funding from operating grants and contributions totaled \$22,706,622 for the current year, an increase of \$9,896,592 from the prior year. Funding is primarily to provide regional planning and adult and aging services for participants and member cities and counties within the Mountainland Region of Utah.
- The *general fund* reported an unassigned fund balance of \$1,116,751 at June 30, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the assets, liabilities, and deferred inflows/outflows of resources of the Association, with the difference 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 Association is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Association 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., earned but unused vacation leave).

The government-wide financial statements of the Association are reported as governmental activities. (The Association has no business-type activities.) Governmental activities include administration, regional planning, and aging and adult services. State and federal grants finance most of these activities.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Association can be divided into two categories: governmental funds and proprietary funds.

- Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of

spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Association's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Association's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, which is considered to be a major fund.

The Association adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

- Proprietary fund – The Association maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Association used one internal service fund (which accounts for certain employee benefits); it is included within *governmental activities* in the government-wide financial statements.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents other information that can be found after the notes to the basic financial statements. The other information compares financial information for several years.

Government-wide Financial Analysis

Net position – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Association, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,507,903 at the close of the most recent fiscal year.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS' Net Position

June 30, 2019 and 2018

	Governmental Activities		Total Change
	2019	2018	2019-2018
Current and other assets	\$ 11,595,750	\$ 23,141,089	\$(11,545,339)
Capital assets, net of accumulated depreciation	800,462	875,541	(75,079)
Total assets	12,396,212	24,016,630	(11,620,418)
Deferred outflows of resources	1,004,771	912,896	91,875
Current and other liabilities	8,371,999	20,125,752	(11,753,753)
Long-term liabilities	2,485,352	1,448,166	1,037,186
Total liabilities	10,857,351	21,573,918	(10,716,567)
Deferred inflows of resources	35,729	789,657	(753,928)
Net position:			
Investment in capital assets	800,462	875,541	(75,079)
Restricted for revolving loans	944,940	905,954	38,986
Unrestricted	762,501	784,456	(21,955)
Total net position	<u>\$ 2,507,903</u>	<u>\$ 2,565,951</u>	<u>\$ (58,048)</u>

- Net position of the Association's governmental activities increased 18.0% to \$2,507,903. However, \$800,463 of the net position is invested in capital assets (building, computer and other equipment, and transportation equipment). The Association uses these capital assets to provide program services for participants and member cities and counties; consequently, these assets are *not* available for spending. An additional amount of \$944,940 is restricted for revolving loans and is *not* available for spending.
- *Unrestricted* net position decreased \$21,955 to a balance of \$762,501 at June 30, 2019. This balance may be used to meet Association obligations to employees and creditors and to honor next year's budget.

Changes in net position – The Association's total net position decreased by \$58,048 during the current year. The key elements of the decrease in the Association's net position for the year ended June 30, 2019 are as follows:

- The Association's total revenues increased by 75.2% to \$23,184,215. Federal and state grants and contracts make up 97.9% of the Association's revenues; local revenue generates 0.9% of the Association's revenues; the remainder of revenues (1.2%) is from matching contributions of in-kind services and facilities for programs administered by the Association.
- The total cost of all programs and services increased by 74.7% to \$23,242,263. This increase was mostly attributable to an increase in reimbursable costs related to regional planning during the year.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS' Change in Net Position

Years Ended June 30, 2019 and 2018

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues:			
Program revenues:			
Charges for services	\$ 272,880	\$ 236,290	\$ 36,590
Operating grants and contributions	22,706,622	12,810,030	9,896,592
General revenues:			
Local and miscellaneous	204,713	190,286	14,427
Total revenues	<u>23,184,215</u>	<u>13,236,606</u>	<u>9,947,609</u>
Expenses:			
Administrative	89,888	221,979	(132,091)
Regional planning	15,675,126	6,374,815	9,300,311
Aging and adult services	7,477,249	6,708,615	768,634
Total expenses	<u>23,242,263</u>	<u>13,305,409</u>	<u>9,936,854</u>
Change in net position	(58,048)	(68,803)	10,755
Net position, beginning	<u>2,565,951</u>	<u>2,634,754</u>	<u>(68,803)</u>
Net position, ending	<u>\$ 2,507,903</u>	<u>\$ 2,565,951</u>	<u>\$ (58,048)</u>

Financial Analysis of the Association's Funds

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

Governmental fund – The focus of the Association's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Association's financing requirements. As the Association completed the year, its governmental fund (the *general fund*) reported fund balances of \$2,722,009, which was \$110,465 more than the previous year.

Governmental funds report the differences between their assets and liabilities as fund balances, which are divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes revolving loans and prepaids and deposits that are not expected to be converted to cash. *Restricted* includes net fund resources of the Association that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between assigned and unassigned portions. *Assigned* balances in the *general fund* are those that do not meet the requirements of restricted but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2019, the Association's fund balances in the *general fund* totaled \$2,722,009 (\$950,100 in nonspendable, \$655,158 in assigned, and \$1,116,751 in unassigned fund balances).

General Fund Budgetary Highlights

Actual expenditures were \$3,983,890 less than final budgeted amounts. Actual revenues were \$3,873,425 less than budgeted. Variances primarily result from expenditure-driven federal and state grants and related local revenue that are included in the budgets at their full amounts. Such grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Assets

A summary of capital assets at June 30, 2019 and 2018 is outlined below:

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS' Capital Assets
(Net of accumulated depreciation)
June 30, 2019 and 2018

	Governmental Activities		Total Change
	2019	2018	2019-2018
Building	\$ 640,155	\$ 672,163	\$ (32,008)
Computer and other equipment	26,791	15,444	11,347
Transportation equipment	133,516	187,934	(54,418)
Total capital assets	<u>\$ 800,462</u>	<u>\$ 875,541</u>	<u>\$ (75,079)</u>

Additional information on the Association's capital assets can be found in Note 3 to the basic financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, participants, member cities and counties, and creditors a general overview of the Association's finances and to demonstrate the Association's accountability for the funding it receives. If you have any questions about this report or need additional financial information, please contact Mountainland Association of Governments, Executive Director, 586 East 800 North, Stratford Park, Orem, Utah 84097.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets:	
Cash and investments	\$ 9,446,642
Intergovernmental receivables:	
Federal	969,785
State	244,355
Local	201,423
Loans receivable, net of allowance of \$191,164	728,385
Prepays and deposits	5,160
Capital assets, net of accumulated depreciation:	
Building	640,155
Equipment	160,307
Total assets	<u>12,396,212</u>
Deferred outflows of resources related to pensions	1,004,771
Liabilities:	
Accounts, wages, and contracts payable	596,476
Unearned revenue:	
State	7,671,996
Local	103,527
Long-term liabilities:	
Portion due or payable within one year	351,219
Portion due or payable after one year	2,134,133
Total liabilities	<u>10,857,351</u>
Deferred inflows of resources related to pensions	35,729
Net position:	
Investment in capital assets	800,462
Restricted for revolving loans	944,940
Unrestricted	762,501
Total net position	<u><u>\$ 2,507,903</u></u>

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Activities
Year Ended June 30, 2019

<u>Activities and Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Administrative	\$ 89,888	\$ 1,192	\$ -	\$ (88,696)
Regional planning	15,675,126	184,447	15,417,035	(73,644)
Aging and adult services	7,477,249	87,241	7,289,587	(100,421)
Total	<u>\$ 23,242,263</u>	<u>\$ 272,880</u>	<u>\$ 22,706,622</u>	(262,761)
General revenues:				
Local and miscellaneous				204,713
Change in net position				(58,048)
Net position, beginning of year				<u>2,565,951</u>
Net position, end of year				<u>\$ 2,507,903</u>

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Balance Sheet
Governmental Fund
June 30, 2019

	<i>General Fund</i>
Assets:	
Cash and investments	\$ 8,944,900
Intergovernmental receivables:	
Federal	969,785
State	244,355
Local	201,423
Loans receivable, net of allowance of \$191,164	728,385
Prepays and deposits	5,160
Total assets	\$ 11,094,008
Liabilities and fund balances:	
Liabilities:	
Accounts, wages, and contracts payable	\$ 596,476
Unearned revenue:	
State	7,671,996
Local	103,527
Total liabilities	8,371,999
Fund balances:	
Nonspendable:	
Revolving loans	944,940
Prepays and deposits	5,160
Assigned to:	
Facilities	23,904
Aging and adult services	627,242
Worksite wellness	4,012
Unassigned	1,116,751
Total fund balances	2,722,009
Total liabilities and fund balances	\$ 11,094,008

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position

June 30, 2019

Total fund balances for the governmental fund	\$	2,722,009
Total net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental fund are not financial resources and, therefore, are not reported in the fund. Those assets consist of:		
Building, net of \$649,102 accumulated depreciation	\$	640,155
Equipment, net of \$354,854 accumulated depreciation		160,307
		800,462
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the fund.		(1,983,610)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund.		969,042
An internal service fund is used by management to charge the costs of compensated absences to the <i>general fund</i> . The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year-end is zero.		-
Total net position of governmental activities	\$	2,507,903

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
Year Ended June 30, 2019

	<i>General Fund</i>
Revenues:	
Federal	\$ 5,907,451
State	13,659,218
Local	1,424,878
Contributed services and facilities	1,919,788
Total revenues	22,911,335
Expenditures:	
Administrative (unallocated)	99,567
Regional planning	15,411,716
Aging and adult services	7,289,587
Total expenditures	22,800,870
Excess of revenues over expenditures/net change in fund balances	110,465
Fund balances, beginning of year	2,611,544
Fund balances, end of year	\$ 2,722,009

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances of total governmental fund \$ 110,465

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

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for building are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$	17,062	
Depreciation expense		<u>(92,141)</u>	(75,079)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as a pension expense. (93,434)

An internal service fund is used by management to charge the costs of compensated absence benefit services to the *general fund*. The net revenue of the internal service fund is reported with governmental activities. -

Change in net position of governmental activities \$ (58,048)

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Federal	\$ 6,463,096	\$ 8,358,829	\$ 5,907,451	\$ (2,451,378)
State	17,961,732	16,201,727	13,659,218	(2,542,509)
Local	1,174,070	1,174,070	1,424,878	250,808
Contributed services and facilities	1,050,134	1,050,134	1,919,788	869,654
Total revenues	<u>26,649,032</u>	<u>26,784,760</u>	<u>22,911,335</u>	<u>(3,873,425)</u>
Expenditures:				
Administrative (unallocated)	167,148	167,148	99,567	67,581
Regional planning	20,725,032	18,965,027	15,411,716	3,553,311
Aging and adult services	5,756,852	7,652,585	7,289,587	362,998
Total expenditures	<u>26,649,032</u>	<u>26,784,760</u>	<u>22,800,870</u>	<u>3,983,890</u>
Excess of revenues over expenditures/net change in fund balances	-	-	110,465	110,465
Fund balances, beginning of year	<u>2,611,544</u>	<u>2,611,544</u>	<u>2,611,544</u>	-
Fund balances, end of year	<u><u>\$ 2,611,544</u></u>	<u><u>\$ 2,611,544</u></u>	<u><u>\$ 2,722,009</u></u>	<u><u>\$ 110,465</u></u>

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 501,742
Liabilities:	
Compensated absences payable	<u>501,742</u>
Net position:	
Restricted for employee benefits	<u><u>\$ -</u></u>

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2019

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services	\$ 272,880
Operating expenses:	
Compensated absences benefits	272,880
Operating income / Change in net position	-
Net position, beginning of year	-
Net position, end of year	<u><u>\$ -</u></u>

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Fund Cash Flows
Proprietary Fund
Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Charges for services received from <i>general fund</i>	\$ 272,880
Cash paid for compensated absences	(174,931)
Net cash provided by operating activities	97,949
Cash and cash equivalents, beginning of year	403,793
Cash and cash equivalents, end of year	\$ 501,742
Displayed on statements of fund net position as:	
Cash and investments	\$ 501,742
Supplemental Information:	
Cash and cash equivalents includes amounts in demand deposits and amounts in the Utah Public Treasurers' Investment Fund as well as short-term investments with a maturity date within three months of the date acquired by the Association.	
The Association had no noncash investing, noncapital financing, or capital and related financing activities.	
A reconciliation of operating income to cash flows provided by operating activities follows:	
Operating income	\$ -
Increase in compensated absences payable	97,949
Net cash provided by operating activities	\$ 97,949

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mountainland Association of Governments (the Association) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Association are described below.

Reporting entity – The Executive Council, comprised of county commissioners from Summit, Utah, and Wasatch counties and mayors of cities within those counties, is the governing authority for the Association. The Association is not a component unit of any other primary government. Blended component units are, in substance, part of the Association’s operations.

The Association was formed in 1971 as an interlocal agency and is a voluntary association of local governments in Summit, Utah, and Wasatch counties in the State of Utah. Resources of the Association are primarily federal, state, and local grants and contracts to provide services and administer programs in the following areas:

- Regional planning – transportation planning and construction, air and water quality planning, economic development planning and coordination, community development assistance, revolving loan program, and tourism promotion
- Aging and adult services – volunteer programs, social support services, support for senior citizens centers, transportation, congregate and home-delivered meals, and advocacy for the elderly

As required by GAAP, these financial statements present the Association and its component units, Mountainland Community Living Council, Inc. and Mountainland Foundation, Inc., legally separate organizations for which the Association is considered financially accountable. Mountainland Community Living Council, Inc. and Mountainland Foundation, Inc. are reported as blended component units within the governmental funds of the Association.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net position and the statement of changes in net position) display information about the government (the Association). These statements include the financial activities of the overall government. Adjustments have been made to eliminate the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Association’s governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function is included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a building is used primarily for most activities of the Association) is ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges for services offered by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues.

The *fund financial statements* provide information about the Association’s funds. Separate statements for each fund category (governmental and proprietary) are presented.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from transactions directly associated with the fund's principal services.

The Association reports the following major governmental fund:

- The *general fund* is the Association's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Association reports the following fund type:

- The *employee benefits internal service fund (proprietary fund)* accounts for the accumulation of resources to pay for accrued vacation and sick leave for eligible employees of the Association.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Association receives value without directly giving equal value in exchange, include grants and contributions. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Association considers revenues available if they are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund.

Under the terms of grant agreements, the Association funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The Association primarily applies cost-reimbursement grant resources first to such programs, followed by categorical block grants, and then by general revenues.

Budgetary data – The Association operates within the budget requirements for special districts as specified by Utah state law. Budgets are presented on the modified accrual basis of accounting for the governmental fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance commitment. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- Each year the executive director and staff submit to the Executive Council a proposed budget for each fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. The Association primarily works with budgets for each grant that it receives.
- The Executive Council approves the budget and submits a copy to the state auditor.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

- As determined by the state auditor and state statutes, no expenditures are to be made in excess of amounts budgeted for each department (function).

Expenditure-driven grants are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding fiscal year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Cash and investments – The cash balances of the funds are pooled and invested by the Association for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. Investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are recorded in the *general fund*.

Loans receivable – The Association has loans receivable at June 30, 2019 of \$919,549 and an allowance for doubtful accounts of \$191,164.

Prepays and deposits – Payments made for goods and services that will benefit periods beyond June 30, 2019 are recorded as prepaids and deposits.

Capital assets – Capital assets, which include building, computer and other equipment, and transportation equipment, are reported in the government-wide financial statements. The Association defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for buildings. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized. Buildings and equipment of the Association are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	40
Computer equipment	3
Transportation equipment	5
Other equipment	3 to 5

Unearned revenue – Unearned revenue is recorded when cash or other assets are received prior to when claim on those resources is obtained.

Compensated absences – Permanent employees earn vacation and sick leave in amounts varying with tenure. Upon separation from employment, each employee shall receive payment for all unused accrued vacation leave up to but not to exceed 240 hours. Upon separation from employment, each employee may receive up to 25% plus 1% for each year of service of unused sick leave. Upon separation of employment, each employee shall receive payment for all unused compensatory leave up to but not to exceed 40 hours. Unpaid vacation, sick, and compensatory leave is accounted for in the Association's *employee benefits internal service fund*.

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

position of the Utah Retirement Systems (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. Pension plan 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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Association has one item that qualifies for reporting in this category. Deferred outflows of resources related to pensions includes a) changes of assumptions in the measurement of the net pension liability (asset), b) net difference between projected and actual earnings on pension plan investments, c) changes in proportion and differences between Association contributions and proportionate share of contributions, and d) Association contributions subsequent to the measurement date of December 31, 2018.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Association has one item that qualifies for reporting in this category. Deferred inflows of resources related to pensions includes a) differences between expected and actual experience, b) changes of assumptions in the measurement of the net pension liability (asset), c) net difference between projected and actual earnings on pension plan investments, and d) changes in proportion and differences between Association contributions and proportionate share of contributions.

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

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

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the Association is bound to honor them. The Association first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- **Nonspendable** – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to revolving loans, including cash balances to be loaned and loans receivable, and prepaids and deposits are classified as nonspendable.
- **Assigned** – This category includes fund balance amounts that the Association intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the Association's steering committee. The Association has assigned general fund resources that are to be used for facilities, aging and adult services, and Mountainland economic development.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

- Unassigned – Residual balances in the general fund are classified as unassigned.

Net position/fund balance flow assumption – Sometimes the Association will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

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

2. DEPOSITS AND INVESTMENTS

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

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The State Money Management Council requires semi-annual reporting of all cash balances and investments. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The Association considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits and investments at June 30, 2019 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 706,134
Carrying amount of investments	<u>8,740,508</u>
	<u><u>\$ 9,446,642</u></u>
Cash and investments - governmental fund (<i>general fund</i>)	\$ 8,944,900
Cash and investments - proprietary fund (<i>employee benefits internal service fund</i>)	<u>501,742</u>
Total cash and investments	<u><u>\$ 9,446,642</u></u>

Deposits – The Association’s carrying amount of bank deposits at June 30, 2019, is \$706,134 and the bank balance is \$920,462, of which \$250,000 is covered by federal depository insurance. No deposits are collateralized, nor are they required to be by state statute.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

Investments – At year-end, the Association’s investment balances of \$8,740,508 were held in the PTIF. The PTIF investment portfolio has an average maturity of less than 90 days; the PTIF is not rated.

- Credit risk – Credit quality can be a depiction of potential variable cash flows and credit risk. The Association does not have a formal investment policy that limits its investment choices in regard to credit quality ratings in addition to the provisions of the Act.
- Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk in regard to the custody of the Association’s investments in addition to the provisions of the Act.
- Concentration of credit risk – The Association places no limit on the amount it may invest in any one issuer. All of the Association’s investments are invested with the Utah State Treasurer in the PTIF.

3. FAIR VALUE MEASUREMENTS

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

The Association has the following recurring fair value measurements as of June 30, 2019:

- Public Treasurers’ Investment Fund position of \$8,740,508, the unit of account is each share held, and the value of the position is the fair value of the pool’s share price multiplied by the number of shares held (Level 2 inputs).

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Building	\$ 1,289,257	\$ -	\$ -	\$ 1,289,257
Computer equipment	40,334	17,062	(5,891)	51,505
Other equipment	43,352	-	-	43,352
Transportation equipment	420,304	-	-	420,304
Total capital assets, being depreciated	1,793,247	17,062	(5,891)	1,804,418
Accumulated depreciation for:				
Building	(617,094)	(32,008)	-	(649,102)
Computer equipment	(32,308)	(2,006)	5,891	(28,423)
Other equipment	(35,934)	(3,709)	-	(39,643)
Transportation equipment	(232,369)	(54,418)	-	(286,787)
Total accumulated depreciation	(917,705)	(92,141)	5,891	(1,003,955)
Net capital assets, being depreciated / net governmental activity capital assets	<u>\$ 875,542</u>	<u>\$ (75,079)</u>	<u>\$ -</u>	<u>\$ 800,463</u>

For the year ended June 30, 2019, depreciation expense was charged to functions of the Association as follows:

Governmental activities:	
Administrative	\$ 5,783
Regional planning	15,808
Aging and adult services	70,550
Total depreciation expense, governmental activities	<u>\$ 92,141</u>

5. RETIREMENT PLANS

Utah Retirement Systems Plans

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

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

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)
- Tier 2 Hybrid Public Employees Contributory Retirement System (Tier 2 Contributory System)

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plan)
- 457 Plan and other individual plans

Association employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the Association as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by the Association as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

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

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits in the defined benefit pension plans are determined from 1.25% to 2.00% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

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

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

For the year ended June 30, 2019, Association required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates				Totals
	Association Contribution	Amortization of UAAL *	Paid by Association for Employee	Association Rates for 401(k) Plan	
Tier 1 Noncontributory System	11.86%	6.61%	-	-	18.47%
Tier 1 Contributory System	6.09%	8.37%	6.00%	-	20.46%
Tier 2 Contributory System **	8.93%	6.61%	-	1.15%	16.69%
Tier 2 Defined Contribution Plan **	0.08%	6.61%	-	10.00%	16.69%

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

** The Association includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended June 30, 2019, Association and employee contributions to the plans were as follows:

	Association Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 383,516	\$ -
Tier 1 Contributory System	18,377	7,625
Tier 2 Contributory System *	98,570	-
401(k) Plan	43,723	23,137
457 Plan and other individual plans	-	13,425

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2019, the Association reported a net pension asset of zero and a net pension liability of \$1,983,610 for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 1,697,186
Tier 1 Contributory System	-	268,285
Tier 2 Contributory System	-	18,139
Total	\$ -	\$ 1,983,610

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability was determined by an actuarial valuation as of January 1, 2018, rolled-forward using generally accepted actuarial procedures. The Association's proportion of the net pension liability (asset) is equal to the ratio of the Association's actual contributions compared to the total of all employer contributions during the plan year. The following presents the Association's proportion (percentage) of the collective net pension liability (asset) at December 31, 2018 and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2018	Change
Tier 1 Noncontributory System	0.2304793%	-0.0036531%
Tier 1 Contributory System	0.6611221%	-0.0801671%
Tier 2 Contributory System	0.0423527%	-0.0048679%

For the year ended June 30, 2019, the Association recognized pension expense of \$608,328 for the defined benefit pension plans and pension expense of \$43,723 for the defined contribution plans. At June 30, 2019, the Association reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,955	\$ 35,403
Changes of assumptions	231,903	326
Net difference between projected and actual earnings on pension plan investments	447,243	-
Changes in proportion and differences between contributions and proportionate share of contributions	37,475	-
Association contributions subsequent to the measurement date	266,195	-
Total	\$ 1,004,771	\$ 35,729

The \$266,195 reported as deferred outflows of resources related to pensions resulting from Association contributions subsequent to the measurement date of December 31, 2018 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 306,969
2021	120,840
2022	58,268
2023	212,582
2024	573
Thereafter	3,615

Actuarial assumptions – The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 mortality tables or were developed from actual experience, 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, 2017 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2016. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date include adjustments for inflation, salary increases, payroll growth, post retirement mortality, preretirement mortality, and certain demographics to more closely reflect actual experience.

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

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Total	<u>100%</u>		4.75%
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% and 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, actuarially determined and certified by the Utah State Retirement 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 was not changed from the prior measurement date.

Sensitivity of the Association’s proportionate share of the net pension liability (asset) to changes in the discount rate – The following presents the Association’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95%, as well as what the Association’s proportionate share of the net pension liability (asset) 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:

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Association's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 3,478,315	\$ 1,697,186	\$ 213,976
Tier 1 Contributory System	569,526	268,285	14,703
Tier 2 Contributory System	<u>72,667</u>	<u>18,139</u>	<u>(23,944)</u>
Total	<u>\$ 4,120,508</u>	<u>\$ 1,983,610</u>	<u>\$ 204,735</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.

Payables to the pension plans – At June 30, 2019, the Association reported payables of \$50,769 for contributions to defined benefit pension plans and defined contribution plans.

Other Retirement Plans

Money purchase plan – The Association has also adopted a 401(k) money purchase pension plan with annual vesting of 100% which is available to all employees. The Association has elected to make annual contributions to the plan at a rate from 6.2% to 15.43% of wages paid to employees. Participants can also make deductible and nondeductible voluntary contributions to the plan. The Association contributed \$516,015 to the money purchase pension plan during the year ended June 30, 2019. As of and for the year ended June 30, 2019, the Association has a liability to the plan of \$42,255. A financial institution holds plan assets.

6. RISK MANAGEMENT

The Association maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$5 million per occurrence through policies administered by the Utah Local Governments Trust (the Fund). The Association also insures its building and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$500 deductible; other liability is limited to the lesser of \$5 million or the statutory limit. The Fund is a public agency insurance mutual operated for the benefit of the State and local governments within the State. The Association pays annual premiums to the Fund; the Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants’ pay experience-rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements
Continued

Unemployment compensation is maintained through Utah Department of Workforce Services; settled claims for the past three years have been insignificant. Utah Local Governments Trust covers all Association employees for workers' compensation.

7. LONG-TERM OBLIGATIONS

Long-term liabilities include obligations for compensated absences (vacation, sick, and compensatory leave) and net pension liability. Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 403,793	\$ 272,880	\$ (174,931)	\$ 501,742	\$ 351,219
Net pension liability	<u>1,044,373</u>	<u>1,454,131</u>	<u>(514,894)</u>	<u>1,983,610</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,448,166</u>	<u>\$ 1,727,011</u>	<u>\$ (689,825)</u>	<u>\$ 2,485,352</u>	<u>\$ 351,219</u>

8. GRANTS

The Association receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the Association's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund*. Based on prior experience, Association administration believes such disallowance, if any, would be immaterial.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Schedules of the Association's Proportionate Share of the Net Pension Liability (Asset) –
Utah Retirement Systems
Last Five Plan (Calendar) Years *

	2018	2017	2016	2015	2014
Tier 1 Noncontributory System:					
Association's proportion of the net pension liability (asset)	0.2304793%	0.2268262%	0.2191396%	0.2139885%	0.2121856%
Association's proportionate share of the net pension liability (asset)	\$ 1,697,186	\$ 993,794	\$ 1,407,144	\$ 1,210,851	\$ 921,243
Association's covered payroll	\$ 1,931,790	\$ 1,994,120	\$ 1,982,118	\$ 1,863,736	\$ 1,876,808
Association's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	87.9%	49.8%	71.0%	65.0%	49.1%
Plan fiduciary net position as a percentage of the total pension liability	87.0%	91.9%	87.3%	87.8%	90.2%
Tier 1 Contributory System:					
Association's proportion of the net pension liability (asset)	0.6611221%	0.5809550%	0.4751601%	0.2600327%	0.1863622%
Association's proportionate share of the net pension liability (asset)	\$ 268,285	\$ 47,275	\$ 155,905	\$ 182,765	\$ 53,755
Association's covered payroll	\$ 123,742	\$ 117,885	\$ 114,010	\$ 110,797	\$ 99,624
Association's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	216.8%	40.1%	136.7%	165.0%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	91.2%	98.2%	92.9%	85.7%	94.0%
Tier 2 Contributory System:					
Association's proportion of the net pension liability (asset)	0.0423527%	0.0374848%	0.0356606%	0.0488088%	0.4094040%
Association's proportionate share of the net pension liability (asset)	\$ 18,139	\$ 3,305	\$ 3,978	\$ (107)	\$ (1,281)
Association's covered payroll	\$ 492,878	\$ 366,764	\$ 292,447	\$ 315,271	\$ 201,017
Association's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	3.7%	0.9%	1.4%	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	97.4%	95.1%	100.2%	103.5%

* These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Schedules of Association Contributions –
Utah Retirement Systems
Last Five Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:					
Contractually required contribution	\$ 383,516	\$ 349,553	\$ 348,700	\$ 335,523	\$ 323,085
Contributions in relation to the contractually required contribution	<u>(383,516)</u>	<u>(349,553)</u>	<u>(348,700)</u>	<u>(335,523)</u>	<u>(323,085)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered payroll	\$ 2,076,429	\$ 1,921,885	\$ 2,004,487	\$ 1,924,720	\$ 1,851,080
Contributions as a percentage of covered payroll	18.5%	18.2%	17.4%	17.4%	17.5%
Tier 1 Contributory System:					
Contractually required contribution	\$ 18,377	\$ 17,383	\$ 16,706	\$ 16,248	\$ 15,228
Contributions in relation to the contractually required contribution	<u>(18,377)</u>	<u>(17,383)</u>	<u>(16,706)</u>	<u>(16,248)</u>	<u>(15,228)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered payroll	\$ 127,090	\$ 120,213	\$ 115,531	\$ 112,367	\$ 105,310
Contributions as a percentage of covered payroll	14.5%	14.5%	14.5%	14.5%	14.5%
Tier 2 Contributory System:					
Contractually required contribution	\$ 98,570	\$ 60,520	\$ 48,514	\$ 42,384	\$ 41,856
Contributions in relation to the contractually required contribution	<u>(98,570)</u>	<u>(60,520)</u>	<u>(48,514)</u>	<u>(42,384)</u>	<u>(41,856)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered payroll	\$ 634,299	\$ 400,530	\$ 325,377	\$ 284,266	\$ 280,160
Contributions as a percentage of covered payroll	15.5%	15.1%	14.9%	14.9%	14.9%
Tier 2 Defined Contribution Plan:					
Contractually required contribution	\$ 14,602	\$ 13,115	\$ 11,588	\$ 8,846	\$ 3,866
Contributions in relation to the contractually required contribution	<u>(14,602)</u>	<u>(13,115)</u>	<u>(11,588)</u>	<u>(8,846)</u>	<u>(3,866)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered payroll	\$ 218,269	\$ 196,036	\$ 173,216	\$ 132,229	\$ 57,523
Contributions as a percentage of covered payroll	6.7%	6.7%	6.7%	6.7%	6.7%

* These schedules only present information for the Association's 2015 and subsequent reporting periods; prior-year information is not available.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Required Supplementary Information

A. CHANGES IN ASSUMPTIONS-UTAH RETIEMENT SYSTEMS

Assumptions for plan year 2018 remain unchanged from the prior year.

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

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

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

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

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

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

B. SCHEDULE OF ASSOCIATION CONTRIBUTIONS-UTAH RETIREMENT SYSTEMS

Contributions as a percentage of covered-employee payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2019 through 2015

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:					
Cash and investments	\$ 8,944,900	\$ 21,064,398	\$ 12,046,750	\$ 1,676,127	\$ 1,640,163
Intergovernmental receivables:					
Federal	969,785	795,697	563,440	589,941	812,871
State	244,355	248,321	300,450	261,677	295,277
Local	201,423	46,755	98,542	101,362	84,856
Loans receivable	728,385	576,013	575,864	513,803	421,137
Prepays and deposits	5,160	6,112	6,682	6,643	6,632
Total assets	<u>\$ 11,094,008</u>	<u>\$ 22,737,296</u>	<u>\$ 13,591,728</u>	<u>\$ 3,149,553</u>	<u>\$ 3,260,936</u>
Liabilities and fund balances:					
Liabilities:					
Accounts, wages, and contracts payable	\$ 596,476	\$ 693,305	\$ 322,554	\$ 416,408	\$ 774,960
Unearned revenue:					
Federal	-	-	56,409	33,539	-
State	7,671,996	19,399,915	10,375,650	80,929	16,290
Local	103,527	32,532	218,176	190,326	297,504
Total liabilities	8,371,999	20,125,752	10,972,789	721,202	1,088,754
Fund balances:					
Nonspendable:					
Revolving loans	944,940	905,954	867,589	790,723	737,350
Prepays and deposits	5,160	6,112	6,682	6,643	6,632
Assigned to:					
Facilities	23,904	87,395	151,913	169,320	159,517
Aging and adult services	627,242	521,617	516,030	427,834	351,522
Worksite wellness	4,012	19,152	30,839	27,542	-
Mountainland economic development	-	-	-	-	32,028
Unassigned	1,116,751	1,071,314	1,045,886	1,006,289	885,133
Total fund balances	2,722,009	2,611,544	2,618,939	2,428,351	2,172,182
Total liabilities and fund balances	<u>\$ 11,094,008</u>	<u>\$ 22,737,296</u>	<u>\$ 13,591,728</u>	<u>\$ 3,149,553</u>	<u>\$ 3,260,936</u>

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2019 through 2015

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:					
Federal	\$ 5,907,451	\$ 6,143,300	\$ 5,869,113	\$ 5,677,910	\$ 5,744,903
State	13,659,218	3,299,427	2,096,860	2,069,752	2,123,976
Local	1,424,878	920,765	773,938	834,674	801,823
Contributed services and facilities	1,919,788	2,636,824	1,971,296	1,677,858	1,615,312
Total revenues	22,911,335	13,000,316	10,711,207	10,260,194	10,286,014
Expenditures by function:					
Administrative (unallocated)	99,567	194,568	91,781	59,662	67,517
Regional planning	15,411,716	6,246,865	3,709,041	3,487,915	3,829,639
Aging and adult services	7,289,587	6,566,278	6,719,797	6,456,448	6,100,323
Total expenditures	22,800,870	13,007,711	10,520,619	10,004,025	9,997,479
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	110,465	(7,395)	190,588	256,169	288,535
Fund balances, beginning of year	2,611,544	2,618,939	2,428,351	2,172,182	1,883,647
Fund balances, end of year	<u>\$ 2,722,009</u>	<u>\$ 2,611,544</u>	<u>\$ 2,618,939</u>	<u>\$ 2,428,351</u>	<u>\$ 2,172,182</u>
Expenditures by object:					
Personnel	\$ 5,153,089	\$ 4,523,006	\$ 4,459,128	\$ 4,152,016	\$ 3,916,114
Telephone, travel, and other	330,861	295,134	347,776	264,049	270,544
Administrative and accounting	98,453	83,160	73,508	81,449	53,674
Contracts and pass-through	15,021,035	5,371,220	3,549,085	3,732,294	4,047,402
Occupancy and supplies	277,644	98,367	119,826	96,359	94,433
Contributed services and facilities	1,919,788	2,636,824	1,971,296	1,677,858	1,615,312
Total expenditures	<u>\$ 22,800,870</u>	<u>\$ 13,007,711</u>	<u>\$ 10,520,619</u>	<u>\$ 10,004,025</u>	<u>\$ 9,997,479</u>

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.