

**CENTRAL WASATCH COMMISSION
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2020**

CENTRAL WASATCH COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Honorable Chair
Members of the Commission
Central Wasatch Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, of Central Wasatch Commission (CWC) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CWC'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities of Central Wasatch Commission as of June 30, 2020, 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 3-5 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated August 25, 2020, on my consideration of CWC's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CWC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CWC's internal control over financial reporting and compliance.

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
August 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Central Wasatch Commission (CWC), we offer readers of CWC's financial statements this narrative overview and analysis of the financial activities of CWC for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

Central Wasatch Commission was created with an inter-local agreement on May 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets of Central Wasatch Commission exceeded its liabilities at June 30, 2020 by \$1,062,362.
- The total unrestricted net position of Central Wasatch Commission decreased by \$113,349 during the year ended June 30, 2020 due to revenues insufficient to cover all expenses. This was anticipated and budgeted for.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Central Wasatch Commission's basic financial statements. The CWC's basic financial statements consist of two components: 1) financial statements and 2) notes to the financial statements.

CWC uses proprietary fund accounting to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Therefore, the financial statements are designed to provide readers with a broad overview of CWC's finances in a manner similar to a private-sector business.

- *The Statement of Net Position* represents information on all of CWC's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CWC is improving or deteriorating.
- *The Statement of Revenues, Expenses, and Change in Net Position* represents information showing how CWC's net position changed during the fiscal year being reported. 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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

- *The Statement of Cash Flows* shows what effect CWC’s operating activities, investing activities, and financing activities had on cash flows. Cash is vital to all organizations, and this statement helps the reader understand how CWC received and used cash during the fiscal year being reported.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a more complete understanding of the data provided in the financial statements. The notes are an integral part of the financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of CWC, assets exceed liabilities by \$1,062,362.

Central Wasatch Commission’s assets, liabilities, and net position are shown below as of June 30:

	CWC Activities	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	<u>1,093,090</u>	<u>1,194,366</u>
Deferred Outflows of Resources	<u>56,717</u>	<u>-</u>
Current Liabilities	<u>63,885</u>	<u>18,655</u>
Deferred Inflows of Resources	<u>23,560</u>	<u>-</u>
Net position		
Unrestricted	<u>1,062,362</u>	<u>1,175,711</u>
Total net position	<u>1,062,362</u>	<u>1,175,711</u>

Central Wasatch Commissions changes in net position are shown below for the year ended June 30:

	CWC Activities	
	2020	2019
Operating Revenues	665,456	102
Operating Expenses	824,581	646,465
Operating Income (Loss)	(159,125)	(646,363)
Nonoperating Revenues (Expenses)	45,776	165,800
Change in Net position	(113,349)	(480,563)
Net position Beginning	1,175,711	1,656,274
Net position Ending	1,062,362	1,175,711

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Central Wasatch Commission had a small investment in capital assets as of June 30, 2020. Three computers in the amount of \$4,467, net of depreciation.

Debt Administration – Central Wasatch Commission had no debt outstanding as of June 30, 2020.

BUDGETARY HIGHLIGHTS

The original budget was for revenues of \$905,000 and expenses of \$895,950. The budgeted expenses remained unchanged throughout the year.

NEXT YEAR’S BUDGET

CWC’s budget for the fiscal year ending June 30, 2021 includes revenues of \$733,500 and expenses of \$732,600.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Central Wasatch Commission’s finances for all those with an interest in CWC’s finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, 41 N Rio Grande St, Suite 102, Salt Lake City, UT 84101

BASIC FINANCIAL STATEMENTS

CENTRAL WASATCH COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,044,396
Accounts Receivable	30,000
Prepaid Expenses	7,477
Rental Deposit	6,750
TOTAL CURRENT ASSETS	<u>1,088,623</u>

NONCURRENT ASSETS

Depreciable Assets (Net Of Depreciation)	<u>4,467</u>
TOTAL NONCURRENT ASSETS	<u>4,467</u>
TOTAL ASSETS	<u>1,093,090</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of resources related	
To Pensions	<u>56,717</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>1,149,807</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	3,488
Wages and Payroll Liabilities Payable	<u>17,330</u>
TOTAL CURRENT LIABILITIES	<u>20,818</u>

NONCURRENT LIABILITIES

Net Pension Liability	<u>43,067</u>
TOTAL NONCURRENT LIABILITIES	<u>43,067</u>
TOTAL LIABILITIES	<u>63,885</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of resources related	
To Pensions	<u>23,560</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>87,445</u>

NET POSITION

Net Investment in Capital Assets	4,467
Unrestricted	<u>1,057,895</u>
TOTAL NET POSITION	<u>\$ 1,062,362</u>

See the accompanying notes to the financial statements and accountant's report

CENTRAL WASATCH COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Member Dues	\$ 665,000
Miscellaneous Income	456

TOTAL OPERATING REVENUES	665,456
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OPERATING EXPENSES

Salaries, Wages and Benefits	411,516
Professional Services	334,624
Operation and Maintenance	76,208
Depreciaton	2,233

TOTAL OPERATING EXPENSES	824,581
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OPERATING INCOME (LOSS)	(159,125)
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NON-OPERATING REVENUES (EXPENSES)

Interest Income	26,776
Donations	2,300
Contributions from Other Governments	16,700

TOTAL NON-OPERATING REVENUES (EXPENSES)	45,776
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CHANGE IN NET POSITION	(113,349)
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TOTAL NET POSITION AT BEGINNING OF YEAR	1,175,711
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TOTAL NET POSITION AT END OF YEAR	\$ 1,062,362
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See the accompanying notes to the financial statements and accountant's report

CENTRAL WASATCH COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Members and Miscellaneous	\$ 636,556
Payments to Suppliers	(424,195)
Payments to Employees	<u>(393,557)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(181,196)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Donations	2,300
Contributions from Other Governments	<u>16,700</u>
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>19,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Asset Acquisition	<u>(6,700)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,700)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>26,776</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>26,776</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	(142,120)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,186,516</u>

CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,044,396</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$ (159,125)
Adjustments	
Depreciation	2,233
Changes in Assets and Liabilities	
Accounts Receivable	(28,900)
Prepaid Expenses	(7,477)
Deferred Outflows	(56,717)
Accounts Payable	(5,886)
Wages and Payroll Liabilities Payable	8,049
Net Pension Liability	43,067
Deferred Inflows	<u>23,560</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (181,196)</u>
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See the accompanying notes to the financial statements and accountant's report

CENTRAL WASATCH COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Wasatch Commission (CWC) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Boards (GASB). The following is a summary of the more significant of CWC's accounting policies.

Financial Reporting Entity

Central Wasatch Commission is a separate legal entity and political subdivision of the State of Utah. It was formed by an interlocal agreement dated May 30, 2017, pursuant to the provisions of the Utah Interlocal Co-Operational Act. At June 30, 2020, CWC's membership consisted of four municipalities, two counties, one town, the State of Utah, the Metropolitan Water District of Salt Lake and Sandy, and the Utah Transit Authority (the Members). The area of focus is between I-80 and the Salt Lake County line south of Little Cottonwood Canyon. The Commission seeks to engage the public, build consensus, and coordinate the actions in the Central Wasatch Mountains. CWC's purposes include the following: 1) engage the public and collaborating with stakeholders; 2) seek transportation solutions focused on transit, walking, and biking; 3) develop visitor amenities and trails and focusing on canyon stewardship, and; 4) watershed protection.

The following governmental entities were financial contributors to CWC as of June 30, 2020:

Cottonwood Heights City	Park City
Salt Lake City	Summit County
Salt Lake County	Millcreek City
Sandy City	Town of Alta

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of CWC consists of all funds, departments, boards, and agencies that are not legally separate from CWC.

Basis of Presentation

CWC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows.

The statement of net position presents the financial position of the business-type activities of CWC at year-end.

Fund Accounting – CWC uses a proprietary fund to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

NOTE 1 – (CONTINUED)

Measurement Focus

Proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statement of revenues, expenses, and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how CWC finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds use the accrual basis of accounting at all reporting levels. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange takes place.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which CWC receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which CWC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to CWC on a reimbursement basis.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable.

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. CWC's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of CWC's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

NOTE 1 – (CONTINUED)

Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as “restricted cash” on the statement of net position and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted. CWC had no restricted assets at June 30, 2020.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund equity

Net Position Flow Assumptions – CWC has established a flow assumption policy to use restricted net position first before using unrestricted net position.

Net Position – The net position represents the difference between assets and liabilities. The net position component, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. The net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

NOTE 1 – (CONTINUED)

Contributions of Capital

Contributions of capital reported in proprietary fund financial statements arise from outside contributions of capital assets (e.g. member cities), and grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meetings of the Board in May, the Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and proposed sources of revenues.

Between May 1 and June 22, the Board members review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, CWC's budget establishes maximum legal authorization for expenses during the fiscal year. Expenses are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

Annual budgets for the proprietary fund are legally adopted by CWC and prepared on the accrual method of accounting.

NOTE 3 – CASH AND INVESTMENTS

CWC maintains cash and investment accounts. Cash accounts are not collateralized nor are they required to be by State statute. Investments are stated at cost or amortized cost, which approximates fair value.

Cash deposits and investments for CWC are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of CWC's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, CWC's deposits may not be recovered. CWC's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of CWC to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2020, all of CWC's bank balances were insured.

NOTE 3 – (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. CWC's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

CWC is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 participants' average daily balances.

The following are CWC's investments at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	<u>\$1,036,194</u>

The deposits and investments described above are included on the statement of net position as per the following reconciliation:

Deposits	\$ 8,202
Investments	<u>1,036,194</u>
Total	<u>\$1,044,396</u>
Cash and Cash Equivalents	<u>\$1,044,396</u>
Total	<u>\$ 1,044,396</u>

NOTE 4 – PENSION PLANS

General Information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions throughout the Utah Retirement Systems (URS). The Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the URS Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

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

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

*with actuarial reductions

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

NOTE 4 – (CONTINUED)

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

	<u>Employee</u>	<u>Employer</u>
Noncontributory System		
15 - Local Governmental Division Tier 1	N/A	18.47%
Tier 2 DC Only		
211 Local Government	N/A	6.69%

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

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

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$10,402	N/A
Tier 2 Public Employees System	11,925	-
Tier 2 DC Only System	5,039	-
Total Contributions	\$27,366	\$ -

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

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

At June 20, 2020, we reported a net pension asset of \$0 and a net pension liability of \$43,067.

	<u>Measurement Date: December 31, 2019</u>			Proportionate Share	Change
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>December 31, 2018</u>	<u>(Decrease)</u>
Noncontributory System	\$0	\$41,195	0.0109303%	0.0049258%	0.0060045%
Tier 2 Public Employees System	\$0	\$1,872	0.0083236%	0.0056297%	0.0026939%
	<u>\$0</u>	<u>\$43,067</u>			

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

For the year ended June 30, 2020, we recognized pension expense of \$46,036.

NOTE 4 – (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,271	\$ 1,234
Change in assumptions	5,162	54
Net difference between projected and actual earnings on pension plan investments	-	22,272
Changes in proportion and differences between contributions and proportionate share of contributions	33,197	-
Contributions subsequent to the measurement date	<u>14,087</u>	<u>-</u>
Total	<u>\$ 56,717</u>	<u>\$ 23,560</u>

\$14,087 was reported as deferred outflows of resources related to pensions and results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2020	\$12,865
2021	\$8,225
2022	\$4,514
2023	\$(8,272)
2024	\$226
Thereafter	\$1,513

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

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

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

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

NOTE 4 – (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. The 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:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Portfolio Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$128,666	\$41,195	\$(31,755)
Tier 2 Public Employees System	16,143	1,872	(9,157)
Total	\$144,809	\$43,067	\$(40,912)

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

NOTE 5 – DEFINED CONTRIBUTIONS SAVINGS PLANS

The Defined Contribution Saving Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Central Wasatch Commission participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- *401(k) Plan
- *457(b) Plan
- *Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
401(k) Plan			
Employer Contributions	\$8,316	\$1,631	\$0
Employee Contributions	\$19,829	\$6,661	\$0
457 Plan			
Employer Contributions	\$0	\$0	\$0
Employee Contributions	\$298	\$0	\$0
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$820	\$0	\$0

NOTE 6 – FIXED ASSETS

Capital asset activity is summarized as follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Depreciable capital assets				
Equipment	\$ -	\$ 6,700	\$ -	\$ 6,700
Total depreciable capital assets at historical cost	<u>\$ -</u>	<u>\$ 6,700</u>	<u>\$ -</u>	<u>\$ 6,700</u>
Less accumulated depreciation				
Equipment	\$ -	\$ 2,233	\$ -	\$ 2,233
Total accumulated depreciation	<u>\$ -</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 2,233</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ -</u>	<u>\$ 4,467</u>	<u>\$ -</u>	<u>\$ 4,467</u>

NOTE 7 - ECONOMIC DEPENDENCY

CWC depends upon the continued financial support of Members. The Members have committed to remit funds sufficient to cover the operating expenses of CWC.

NOTE 8 – RISK MANAGEMENT

CWC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. CWC has obtained liability insurance through Utah Local Government Trust. No claims have been paid in the current or prior three years.

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, CWC has evaluated events and transactions for potential recognition or disclosure through August 25, 2020, the date the financial statements were available to be issued.

CENTRAL WASATCH COMMISSION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2020

Last 10 Fiscal Years *

		<u>Non- contributory System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the net pension liability (asset)	2019	0.0109303%	0.0083236%
Proportionate share of the net pension liability (asset)	2019	\$ 41,195	\$ 1,872
Covered payroll	2019	\$ 146,412	\$ 115,975
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	2019	28.14%	1.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	2019	93.70%	96.50%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their required supplementary information. The 10-year schedule will be built prospectively. The schedule above is only for the past one year CWC in the system.

CENTRAL WASATCH COMMISSION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
JUNE 30, 2020

Last 10 Fiscal Years *

		Non- contributory System	Tier 2 Public Employees System **	Tier 2 Public Employees DC Only
Actuarial determined contributions				
	2018	\$ 620	\$ -	\$ -
	2019	\$ 8,538	\$ 22,045	\$ -
	2020	\$ 10,402	\$ 11,925	\$ 5,039
Contributions in relation to the contractually required contribution				
	2018	\$ 620	\$ -	\$ -
	2019	\$ 8,538	\$ 22,045	\$ -
	2020	\$ 10,402	\$ 11,925	\$ 5,039
Contribution deficiency (excess)				
	All Years	\$ -	\$ -	\$ -
Covered employee payroll				
	2018	\$ 9,381	\$ -	\$ -
	2019	\$ 129,166	\$ 141,860	\$ -
	2020	\$ 157,370	\$ 76,146	\$ 75,319
Contributions as a percentage of covered-employee payroll				
	2018	6.61%	0.00%	0.00%
	2019	6.61%	15.54%	0.00%
	2020	6.61%	15.66%	6.69%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in their Required Supplementary Information. This history will need to be created prospectively. The schedule above is only for the past three years. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

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

CENTRAL WASATCH COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
UTAH RETIREMENT SYSTEMS
JUNE 30, 2020

Changes in Assumptions Related To Pensions

As a result of the passage of Senate Bill 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

GOVERNMENT AUDITING STANDARDS REPORT

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

Honorable Chair
Members of the Commission
Central Wasatch Commission

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Wasatch Commission (CWC), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CWC's basic financial statements and have issued my report thereon dated August 25, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is written in a cursive style with a large, stylized "G" and "O".

Greg Ogden
Certified Public Accountant
Springville, Utah
August 25, 2020

STATE COMPLIANCE REPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Chair
Members of the Board
Central Wasatch Commission

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS

I have audited Central Wasatch Commission's (CWC) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on CWC for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Fraud Risk Assessment
Utah Retirement Systems

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In my opinion, Central Wasatch Commission complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in my letter to management dated August 25, 2020 as item #2020-1.

Central Wasatch Commission's response to the noncompliance finding identified in my audit is described in my letter to management. Their response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of Report

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


Greg Ogden,
Certified Public Accountant
Springville, Utah
August 25, 2020