



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2015**



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## **INTRODUCTORY SECTION**

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## **CITY OF NORTH LOGAN**

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NORTH LOGAN, UTAH 84341  
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**LLOYD BERENTZEN**  
MAYOR

**JEFFERY M. JORGENSEN, P.E.**  
CITY ADMINISTRATOR

November 2, 2015

North Logan City Council  
North Logan, Utah

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2015, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Position that provides the total net position of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2015, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2015, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2015, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section in this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Lloyd Berentzen  
North Logan City



## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council of  
North Logan City, Utah

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Logan City, Utah (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Logan City, Utah, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 7 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting For Pensions – an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 11-16 and 54-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Logan City, Utah's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 November 2, 2015, on our consideration of the City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, stylized 'A' and 'J'.

North Logan, UT

November 2, 2015

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## **NORTH LOGAN CITY Management's Discussion and Analysis**

**For the Year Ended June 30, 2015**

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As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2015.

### **FINANCIAL HIGHLIGHTS**

- The total net position of North Logan City increased 5.0 percent to \$23,639,568.
- The total net position of \$23,639,568 was made up of \$22,733,836 in capital assets net of related debt and \$905,732 in other net position.
- In the General Fund, expenditures exceeded revenues by \$54,952 before other financing sources and uses.
- Total long-term debt of the City was increased by \$596,715.
- Business-type activities' total net position increased \$303,879.

### **REPORTING THE CITY AS A WHOLE**

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of North Logan City's finances in a manner similar to a private-sector business and can be found on pages 17 and 18 of this report.

- The statement of net position presents information on all of North Logan City'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 North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net position changed during the fiscal year 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.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

## **NORTH LOGAN CITY**

### **Management's Discussion and Analysis**

*Continued*

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#### **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. North Logan City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Library and RDA Special Revenue Funds, and the Capital Projects Fund.

- *Proprietary funds* – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its water utility, sewer utility, and storm water utility.

As determined by generally accepted accounting principles, the water utility and sewer utility funds meet the criteria of major fund classification. The rest of the proprietary funds are determined to be nonmajor and are included in the combining statements within this report.



**NORTH LOGAN CITY**  
**Management's Discussion and Analysis**

*Continued*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceeded liabilities by \$23,639,568.

The greatest portion of North Logan City's net position (96%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# NORTH LOGAN CITY

## Management's Discussion and Analysis

### Continued

#### STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	2015	2014, restated	2015	2014
Current and other assets	\$ 2,160,303	\$ 2,969,679	\$ 1,209,030	\$ 1,495,338
Non current assets	452,076	445	502,965	-
Capital assets	15,249,851	13,260,597	9,718,294	9,179,788
Deferred outflow of resources	174,882	136,218	9,869	13,043
Total assets and def. outflows	18,037,112	16,366,939	11,440,158	10,688,169
Long-term debt outstanding	1,054,544	382,398	1,132,590	1,212,123
Other liabilities	1,715,247	1,684,915	268,794	244,116
Deferred inflow of resources	1,163,562	1,023,623	-	-
Total liabilities and def. inflows	3,933,353	3,090,936	1,401,384	1,456,239
Net position				
Net investment in capital assets	14,163,633	12,814,860	8,570,203	7,953,247
Restricted	427,736	970,100	502,965	534,338
Unrestricted	(487,610)	(508,957)	462,641	744,345
Total net position	\$ 14,103,759	\$ 13,276,003	\$ 9,535,809	\$ 9,231,930

#### CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2015	2014, restated	2015	2014
Revenues:				
Program revenues:				
Charges for services	\$ 2,028,200	\$ 1,693,413	\$ 2,328,997	\$ 2,408,350
Dedicated property tax	707,922	694,840	32,911	32,911
Operating grants & contributions	357,320	491,507	-	-
Capital grants & contributions	520,272	1,098,677	318,024	355,391
General revenues:				
Property taxes	660,420	646,616	-	-
Other taxes	2,755,533	2,656,164	-	-
Investment income	7,491	8,832	4,982	5,844
Other revenues	41,651	45,494	-	-
Total revenues	7,078,809	7,335,543	2,684,914	2,802,496
Expenses:				
General government	901,465	712,927	-	-
Public Safety	1,799,942	1,896,882	-	-
Streets	1,716,617	1,555,882	-	-
Public works	37,039	35,771	-	-
Sanitation	741,638	727,788	-	-
Parks & recreation	892,190	1,036,197	-	-
Community development	126,484	293,374	-	-
Water	-	-	1,076,297	932,953
Sewer	-	-	1,187,780	1,190,274
Storm water	-	-	152,636	179,482
Total expenses	6,215,375	6,258,821	2,416,713	2,302,709
Transfers in (out)	(35,678)	-	35,678	-
Increase (decrease) in net position	827,756	1,076,722	303,879	499,787
Net position, beginning, restated	13,276,003	12,199,281	9,231,930	8,732,143
Net position, ending	\$ 14,103,759	\$ 13,276,003	\$ 9,535,809	\$ 9,231,930

**NORTH LOGAN CITY**  
**Management's Discussion and Analysis**

*Continued*

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**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2015, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$805,627. This represents a decrease of \$608,071 (43%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the greatest source of revenue in the General Fund and represented 59 percent of total general fund revenues. The largest element was sales tax, which represented 64 percent of total tax revenues and 38 percent of total General Fund revenues. This compares with 37 percent in the prior fiscal year ended June 30, 2014.

As stated earlier, the City maintains three enterprise funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities, in much more detail, as that provided in the government-wide financial statements.

Significant changes in the governmental funds included an increase of revenues of \$435,160 due to an increase in taxes and charges for services during the year.

Significant changes in business-type activities included a decrease in long-term debt of \$75,431 due to bond and capital lease principal payments.

**GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$5,268,022, which increased 16 percent to \$6,133,782 due to increased costs associated with general government, streets and parks.

The Library Fund original budget for expenditures was \$644,502, which was increased 42 percent to \$913,079 to cover general operations and capital improvements.

The RDA Fund original budget for expenditures was \$195,670, which increased 81 percent to \$355,048 to cover various community projects.

# **NORTH LOGAN CITY**

## **Management's Discussion and Analysis**

*Continued*

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital assets* – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2015, totaled \$24,968,145. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City's investment in fixed assets increased by 11 percent- due to capital asset additions being greater than current year depreciation.

Major capital asset events during the current fiscal year included the following:

- \$ 1,398,088 for construction of road infrastructure.
- \$ 232,467 for storm water equipment
- \$ 653,825 for water improvements.
- \$ 692,553 for park improvements.

#### **NORTH LOGAN CITY'S CAPITAL ASSETS**

	Governmental Activities	Business-type Activities
Land & water shares	\$ 4,063,333	\$ 474,409
Buildings and equipment	9,700,352	1,427,285
Systems	16,305,099	15,222,789
Less: Accumulated depreciation	(14,818,933)	(7,406,189)
Total	<u>\$ 15,249,851</u>	<u>\$ 9,718,294</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

*Long-term debt* – At June 30, 2015, the City had total bonded debt outstanding of \$1,124,865. Of this amount \$311,907 is considered to be general obligation debt and backed by the full faith and credit of the City and \$812,958 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease and note payable obligations were \$1,062,269.

#### **NORTH LOGAN CITY'S OUTSTANDING DEBT**

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ 150,000	\$ 161,907
Capital lease and notes payable	904,544	157,725
Revenue bonds	-	812,958
Total outstanding debt	<u>\$ 1,054,544</u>	<u>\$ 1,132,590</u>

The City's debt increased by \$592,613 during the fiscal year. See the footnotes for additional information on the debt obligations of the City.

**NORTH LOGAN CITY**  
**Statement of Net Position**

**As of June 30, 2015**

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2015	2014, restated
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 585,332	\$ 519,180	\$ 1,104,512	\$ 1,332,576
Account receivable, net	1,518,991	186,885	1,705,876	1,587,176
Prepaid expense	55,980	-	55,980	40,827
Total current assets	2,160,303	706,065	2,866,368	2,960,579
Noncurrent assets:				
Restricted assets:				
Cash	427,736	502,965	930,701	1,504,438
Capital assets:				
Land and water shares	4,063,333	474,409	4,537,742	4,284,833
Distribution and collection systems	16,305,099	15,222,789	31,527,888	29,390,612
Buildings and equipment	9,700,352	1,427,285	11,127,637	9,883,600
Less: Accumulated depreciation	(14,818,933)	(7,406,189)	(22,225,122)	(21,118,660)
Total capital assets	15,249,851	9,718,294	24,968,145	22,440,385
Pension asset	24,340	-	24,340	445
Total noncurrent assets	15,701,927	10,221,259	25,923,186	23,945,268
Total assets	17,862,230	10,927,324	28,789,554	26,905,847
Deferred outflow of resources - pensions	174,882	-	174,882	136,218
Deferred outflow of resources - bond premiums	-	9,869	9,869	13,043
Total assets and deferred outflows	\$ 18,037,112	\$ 10,937,193	\$ 28,974,305	\$ 27,055,108
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>				
Current liabilities:				
Accounts payable	\$ 642,958	\$ 217,863	\$ 860,821	\$ 605,754
Accrued expense	86,403	35,430	121,833	136,306
Deposits	29,428	-	29,428	19,996
Accrued interest payable	218	8,668	8,886	5,735
Bonds payable within one year	394,031	268,663	662,694	411,647
Total current liabilities	1,153,038	530,624	1,683,662	1,179,438
Noncurrent liabilities:				
Net pension liability	740,062	-	740,062	931,681
Bonds and leases payable	660,513	863,927	1,524,440	1,182,874
Refunding bond premium	31,456	6,833	38,289	72,022
Accrued compensated absences	184,722	-	184,722	157,537
Total noncurrent liabilities	1,616,753	870,760	2,487,513	2,344,114
Deferred Inflows of Resources - pensions	139,939	-	139,939	-
Deferred Inflows of Resources - property taxes	1,023,623	-	1,023,623	1,023,623
Total liabilities & deferred inflows of resources	3,933,353	1,401,384	5,334,737	4,547,175
<b>NET POSITION</b>				
Net investment in capital assets	14,163,633	8,570,203	22,733,836	20,768,107
Restricted for:				
Debt service	-	288,142	288,142	287,546
Impact fees/park projects	403,032	214,823	617,855	1,187,894
State liquor funds	24,180	-	24,180	18,300
Grants and contributions	524	-	524	10,698
Unrestricted	(487,610)	462,641	(24,969)	235,388
Total net position	\$ 14,103,759	\$ 9,535,809	\$ 23,639,568	\$ 22,507,933

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**  
**Statement of Activities**

**For the Year Ended June 30, 2015**

Program Revenues									
		Charges for	Dedicated	Operating	Capital Grants	Net	Business	Memorandum Totals	
	Expenses	Services	Property Tax	Grants & Contributions	Grants & Contributions	Governmental Activities	Type Activities	2015	2014, restated
Governmental activities:									
General government	\$ 901,465	\$ 774,094	\$ -	\$ -	\$ -	\$ (127,371)	\$ -	\$ (127,371)	\$ (205,632)
Public Safety	1,799,942	392,020	-	34,246	-	(1,373,676)	-	(1,373,676)	(1,520,274)
Streets	1,716,617	-	-	305,911	205,799	(1,204,907)	-	(1,204,907)	(1,159,245)
Public works	37,039	-	-	-	-	(37,039)	-	(37,039)	(35,771)
Sanitation	741,638	794,148	-	-	-	52,510	-	52,510	40,064
Parks and recreation	892,190	67,938	460,877	17,163	314,473	(31,739)	-	(31,739)	893,848
Community development	126,484	-	247,045	-	-	120,561	-	120,561	(293,374)
Total governmental activities	6,215,375	2,028,200	707,922	357,320	520,272	(2,601,661)	-	(2,601,661)	(2,280,384)
Business-type activities:									
Water	1,076,297	984,407	-	-	240,960	-	149,070	149,070	432,924
Sewer	1,187,780	1,151,319	32,911	-	77,064	-	73,514	73,514	51,529
Storm water	152,636	193,271	-	-	-	-	40,635	40,635	9,490
Total business-type activities	2,416,713	2,328,997	32,911	-	318,024	-	263,219	263,219	493,943
General Revenues:									
Taxes:									
Property taxes levied for general purposes						660,420	-	660,420	646,616
Franchise and other taxes						553,420	-	553,420	553,725
General sales taxes & highway sales taxes						2,202,113	-	2,202,113	2,102,439
Business licenses						36,514	-	36,514	40,213
Gain (loss) on sale of assets						5,137	-	5,137	5,281
Investment income						7,491	4,982	12,473	14,676
Transfers in (out)						(35,678)	35,678	-	-
Total general revenues						3,429,417	40,660	3,470,077	3,362,950
Change in net position						827,756	303,879	1,131,635	1,576,509
Net position - beginning, restated						13,276,003	9,231,930	22,507,933	20,931,424
Net position - ending						\$ 14,103,759	\$ 9,535,809	\$ 23,639,568	\$ 22,507,933

**NORTH LOGAN CITY**  
**Balance Sheet**  
**Governmental Funds**

**As of June 30, 2015**

	General	Library	Capital Projects	RDA	Governmental Funds (memo)	
					2015	2014
<b>ASSETS</b>						
Cash & cash equivalents	\$ 226,649	\$ -	\$ -	\$ 358,683	\$ 585,332	\$ 602,398
Accounts receivable, net	919,598	416,334	107,166	75,893	1,518,991	1,356,354
Prepaid expense	55,980	-	-	-	55,980	40,827
Restricted cash	421,305	-	6,431	-	427,736	970,100
Total assets	<u>\$ 1,623,532</u>	<u>\$ 416,334</u>	<u>\$ 113,597</u>	<u>\$ 434,576</u>	<u>\$ 2,588,039</u>	<u>\$ 2,969,679</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCE</b>						
<b>Liabilities:</b>						
Interfund payable/receivable	\$ (365,941)	\$ 64,443	\$ 301,498	\$ -	\$ -	\$ -
Accounts payable	352,132	17,593	107,324	165,909	642,958	408,394
Accrued expenses	78,881	7,522	-	-	86,403	103,968
Deposits	29,428	-	-	-	29,428	19,996
Total liabilities	<u>94,500</u>	<u>89,558</u>	<u>408,822</u>	<u>165,909</u>	<u>758,789</u>	<u>532,358</u>
Total def. inflows of resources	<u>531,396</u>	<u>416,334</u>	<u>-</u>	<u>75,893</u>	<u>1,023,623</u>	<u>1,023,623</u>
Total liabilities and def. inflows	<u>625,896</u>	<u>505,892</u>	<u>408,822</u>	<u>241,802</u>	<u>1,782,412</u>	<u>1,555,981</u>
<b>Fund Balance:</b>						
Non spendable	55,980	-	-	-	55,980	40,827
<b>Restricted for:</b>						
Park impact/park projects	272,530	-	6,431	-	278,961	716,276
Road impact	124,071	-	-	-	124,071	224,826
State liquor funds	24,180	-	-	-	24,180	18,300
Shop with a cop	524	-	-	-	524	-
Library	-	-	-	-	-	10,698
<b>Assigned for:</b>						
Little League	10,700	-	-	-	10,700	10,435
Cemetery	407,819	-	-	-	407,819	308,324
Junior Jazz	8,915	-	-	-	8,915	5,931
Sports	3,518	-	-	-	3,518	1,194
Wildland fires	70,241	-	-	-	70,241	79,002
Elk Ridge Park	2,529	-	-	-	2,529	-
Special revenue funds	-	(89,558)	-	192,774	103,216	220,886
Capital projects funds	-	-	(301,656)	-	(301,656)	(274,006)
Unassigned for: General Fund	<u>16,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,629</u>	<u>51,005</u>
Total fund balances	<u>997,636</u>	<u>(89,558)</u>	<u>(295,225)</u>	<u>192,774</u>	<u>805,627</u>	<u>1,413,698</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,623,532</u>	<u>\$ 416,334</u>	<u>\$ 113,597</u>	<u>\$ 434,576</u>		
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources so they are not reported in the funds.						
The cost of these assets is \$30,068,784 and \$27,238,532, respectively and the accumulated depreciation is \$14,818,933 and \$13,977,935 respectively.					15,249,851	13,260,597
Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.					(1,270,940)	(603,274)
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the funds					(680,779)	(795,018)
Total net position-governmental activities					<u>\$ 14,103,759</u>	<u>\$ 13,276,003</u>

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**

**For the Year Ended June 30, 2015**

					Memorandum Totals Governmental Funds	
	General	Library	Capital Projects	RDA	2015	2014
Revenues:						
Taxes	\$ 3,415,953	\$ 460,877	\$ -	\$ 247,045	\$ 4,123,875	\$ 3,997,620
Licenses and permits	343,233	-	-	-	343,233	332,775
Intergovernmental revenue	353,787	7,182	205,799	-	566,768	430,002
Charges for services	1,541,663	-	-	-	1,541,663	1,439,525
Fines	152,133	7,477	-	-	159,610	129,628
Other	16,555	213,046	295	377	230,273	200,712
Total revenues	5,823,324	688,582	206,094	247,422	6,965,422	6,530,262
Expenditures:						
Current operations:						
General government	985,740	-	-	-	985,740	710,856
Public safety	1,776,943	-	3,472	-	1,780,415	2,987,703
Streets	1,604,899	-	205,293	-	1,810,192	1,367,779
Public works	37,039	-	-	-	37,039	35,771
Sanitation	741,638	-	-	-	741,638	727,788
Parks and recreation	610,467	757,347	397,401	-	1,765,215	1,496,051
Community development	121,550	-	-	170,843	292,393	293,374
Debt service:						
Principal	-	144,500	-	-	144,500	140,333
Interest	-	9,842	791	-	10,633	14,739
Total expenditures	5,878,276	911,689	606,957	170,843	7,567,765	7,774,394
Excess (deficiency) of revenues over expenditures	(54,952)	(223,107)	(400,863)	76,579	(602,343)	(1,244,132)
Other financing sources (uses):						
Sale of capital assets	11,790	18,160	-	-	29,950	5,281
Capital contributions	-	-	-	-	-	800,000
Transfers in (out)	(35,678)	-	-	-	(35,678)	-
Total other financing sources	(23,888)	18,160	-	-	(5,728)	805,281
Net change in fund balances	(78,840)	(204,947)	(400,863)	76,579	(608,071)	(438,851)
Fund balances, beginning of year	1,076,476	115,389	105,638	116,195	1,413,698	1,852,549
Fund balances, end of year	\$ 997,636	\$ (89,558)	\$ (295,225)	\$ 192,774	\$ 805,627	\$ 1,413,698



**NORTH LOGAN CITY**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities**

**For the Year Ended June 30, 2015**

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

Net change in fund balances-total governmental funds	\$ (608,071)
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Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets 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.

Purchase of fixed assets	1,640,656	
Loss on disposal of assets	(24,813)	
Depreciation expense	<u>(857,711)</u>	758,132

Pension (expense) benefit	114,239
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Governmental funds report bond proceeds as an other financing source,  
while repayment of bond principal is reported as an expenditure. Also,  
governmental funds report the effect of issuance costs and premiums  
when debt is first issued, whereas these amounts are deferred and  
amortized in the statement of activities. The net effect of these  
differences in the treatment of general obligation bonds and related items  
is as follows:

Repayment of bond and lease principal	558,976	
Change in accrued interest payable	210	
Change in accrued compensated absences	(27,185)	
Amortization of bond refunding	<u>31,455</u>	<u>563,456</u>

Change in net position of governmental activities	<u><u>\$ 827,756</u></u>
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**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**General Fund**

**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>GENERAL FUND REVENUES</b>				
Taxes:				
General property taxes-current	\$ 542,287	\$ 572,900	\$ 572,167	\$ (733)
Prior years' taxes-delinquent	63,066	32,593	32,593	-
General sales & use taxes	2,177,651	2,222,045	2,202,113	(19,932)
Franchise taxes	24,935	42,100	20,746	(21,354)
Mass transit tax	-	492,000	532,674	40,674
Fee-in-lieu of property taxes	70,038	55,660	55,660	-
Total taxes	2,877,977	3,417,298	3,415,953	(1,345)
Licenses & permits:				
Business licenses & permits	40,000	40,000	36,514	(3,486)
Building structures & equipment	250,000	298,826	302,041	3,215
Animal licenses	3,500	4,593	4,678	85
Total licenses & permits	293,500	343,419	343,233	(186)
Intergovernmental revenues:				
Public safety	17,134	26,474	26,374	(100)
State and other governmental grants	85,000	95,675	21,502	(74,173)
Class "C" road fund allotment	315,000	288,750	305,911	17,161
Total intergovernmental revenues	417,134	410,899	353,787	(57,112)
Charges for services:				
Zoning & subdivision fees	241,000	314,340	310,596	(3,744)
Sale of maps & publications	200	200	-	(200)
Public safety	91,696	375,006	387,342	12,336
Refuse collection charges	852,156	791,051	794,148	3,097
Cemetery fees	4,000	5,881	6,681	800
Parks and public property	21,100	42,439	42,896	457
Total charges for services	1,210,152	1,528,917	1,541,663	12,746
Fines & forfeitures:				
Fines	144,000	123,569	151,133	27,564
Forfeitures	-	-	1,000	1,000
Total fines & forfeitures	144,000	123,569	152,133	28,564
Miscellaneous revenue:				
Interest earnings	2,090	5,946	7,231	1,285
Rents & miscellaneous	15,723	22,400	9,324	(13,076)
Sale of materials & supplies	5,000	11,760	11,790	30
Total Miscellaneous revenue	22,813	40,106	28,345	(11,761)
Total Revenues	\$ 4,965,576	\$ 5,864,208	\$ 5,835,114	\$ (29,094)

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**General Fund**

*Continued*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>GENERAL FUND EXPENDITURES</b>				
General government:				
Legislative	\$ 86,339	\$ 95,515	\$ 95,482	\$ 33
Judicial	173,666	206,540	223,055	(16,515)
Executive	110,611	108,781	107,761	1,020
Administrative	148,079	151,368	143,705	7,663
Non-departmental	159,470	398,153	410,473	(12,320)
Planning & zoning	11,418	5,972	5,264	708
Total general government	689,583	966,329	985,740	(19,411)
Public safety:				
Police department	1,138,918	1,168,366	1,130,674	37,692
Fire department	418,941	383,900	381,366	2,534
Protective inspection	243,408	271,897	211,668	60,229
Animal control	40,350	44,060	53,235	(9,175)
Total public safety	1,841,617	1,868,223	1,776,943	91,280
Streets & public improvements:				
Streets	1,029,276	1,659,441	1,604,899	54,542
Public works	55,988	37,126	37,039	87
Sanitation	750,561	750,561	741,638	8,923
Total streets & improvements	1,835,825	2,447,128	2,383,576	63,552
Parks, recreation & public property:				
Park & park areas	546,467	622,947	516,600	106,347
Recreation & culture	72,526	89,151	88,954	197
Cemetery	11,000	15,000	4,913	10,087
Total parks, recreation & public property	629,993	727,098	610,467	116,631
Community & economic development:				
Community planning	124,004	125,004	121,550	3,454
Transfers & other uses:				
Transfer to other funds	147,000	-	35,678	(35,678)
Total transfers & other uses	147,000	-	35,678	(35,678)
<b>TOTAL EXPENDITURES</b>	<b>5,268,022</b>	<b>6,133,782</b>	<b>5,913,954</b>	<b>219,828</b>
Net change in fund balance	(302,446)	(269,574)	(78,840)	190,734
Fund balance at beginning of year	1,076,476	1,076,476	1,076,476	-
Fund balance at end of year	\$ 774,030	\$ 806,902	\$ 997,636	\$ 190,734

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**Library and RDA Special Revenue Funds**

**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
LIBRARY FUND REVENUES				
Dedicated property taxes	\$ 459,238	\$ 453,619	\$ 460,877	\$ 7,258
Intergovernmental revenue	4,000	7,182	7,182	-
Fines	10,000	10,000	7,477	(2,523)
Other	180,965	270,943	213,046	(57,897)
Total revenues	654,203	741,744	688,582	(53,162)
LIBRARY FUND EXPENDITURES				
General operations	490,242	758,819	757,347	1,472
Debt service principal	144,000	144,000	144,500	(500)
Debt service interest	10,260	10,260	9,842	418
Total expenditures	644,502	913,079	911,689	1,390
Excess (deficiency) of revenues over expenditures	9,701	(171,335)	(223,107)	51,772
Other financing sources (uses): Proceeds from sale of asset	-	-	18,160	(18,160)
Net change in fund balance	9,701	(171,335)	(204,947)	33,612
Fund balance at beginning of year	115,389	115,389	115,389	-
Fund balance at end of year	\$ 125,090	\$ (55,946)	\$ (89,558)	\$ 33,612
RDA FUND REVENUES				
Dedicated property taxes	\$ 245,000	\$ 247,310	\$ 247,045	\$ (265)
Other	1,620	174	377	203
Total revenues	246,620	247,484	247,422	(62)
RDA FUND EXPENDITURES				
Community development	195,670	355,048	170,843	184,205
Net change in fund balance	50,950	(107,564)	76,579	(184,267)
Fund balance at beginning of year	116,195	116,195	116,195	-
Fund balance at end of year	\$ 167,145	\$ 8,631	\$ 192,774	\$ (184,267)

**NORTH LOGAN CITY**  
**Statement of Net Position**  
**Proprietary Funds**

**As of June 30, 2015**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2015	2014
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 189,434	\$ -	\$ 329,746	\$ 519,180	\$ 730,178
Accounts receivable, net	68,151	100,865	17,869	186,885	230,822
Total current assets	<u>257,585</u>	<u>100,865</u>	<u>347,615</u>	<u>706,065</u>	<u>961,000</u>
Noncurrent assets:					
Restricted cash	135,758	367,207	-	502,965	534,338
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	10,102,104	5,092,366	28,319	15,222,789	14,483,601
Buildings and equipment	817,005	377,813	232,467	1,427,285	1,362,503
Less accumulated depreciation	<u>(4,445,258)</u>	<u>(2,948,672)</u>	<u>(12,259)</u>	<u>(7,406,189)</u>	<u>(7,140,725)</u>
Total noncurrent assets	<u>7,083,168</u>	<u>2,889,564</u>	<u>248,527</u>	<u>10,221,259</u>	<u>9,714,126</u>
Deferred outflow of resources	<u>9,869</u>	<u>-</u>	<u>-</u>	<u>9,869</u>	<u>13,043</u>
TOTAL ASSETS AND DEF. OUTFLOW OF RESOURCES	<u>7,350,622</u>	<u>2,990,429</u>	<u>596,142</u>	<u>10,937,193</u>	<u>10,688,169</u>
<b>LIABILITIES</b>					
Current liabilities:					
Interfund payable/receivable	(383,957)	383,957	-	-	-
Accounts payable	68,989	143,928	4,946	217,863	197,360
Accrued payables	28,169	7,261	-	35,430	32,338
Accrued interest payable	547	4,066	4,055	8,668	5,307
Bonds payable - due within a year	<u>170,000</u>	<u>68,797</u>	<u>29,866</u>	<u>268,663</u>	<u>235,424</u>
Total current liabilities	<u>(116,252)</u>	<u>608,009</u>	<u>38,867</u>	<u>530,624</u>	<u>470,429</u>
Noncurrent liabilities:					
Bonds payable - due in more than one year	355,000	381,068	127,859	863,927	976,699
Bond premium on refunding	<u>6,833</u>	<u>-</u>	<u>-</u>	<u>6,833</u>	<u>9,111</u>
Total noncurrent liabilities	<u>361,833</u>	<u>381,068</u>	<u>127,859</u>	<u>870,760</u>	<u>985,810</u>
Total liabilities	<u>245,581</u>	<u>989,077</u>	<u>166,726</u>	<u>1,401,384</u>	<u>1,456,239</u>
<b>NET POSITION</b>					
Net investment in capital assets	6,415,030	2,068,426	86,747	8,570,203	7,953,247
Restricted for debt service	135,758	152,384	-	288,142	287,546
Restricted for impact fees	-	214,823	-	214,823	246,792
Unrestricted	<u>554,253</u>	<u>(434,281)</u>	<u>342,669</u>	<u>462,641</u>	<u>744,345</u>
Total net position	<u>\$ 7,105,041</u>	<u>\$ 2,001,352</u>	<u>\$ 429,416</u>	<u>\$ 9,535,809</u>	<u>\$ 9,231,930</u>

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position**  
**Proprietary Funds**

**For the Year Ended June 30, 2015**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2015	2014
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 978,460	\$ 1,151,319	\$ 193,271	\$ 2,323,050	\$ 2,404,806
Impact fees	240,960	77,064	-	318,024	355,391
Other	5,947	-	-	5,947	3,544
Total operating revenues	1,225,367	1,228,383	193,271	2,647,021	2,763,741
<b>OPERATING EXPENSES</b>					
Wages and benefits	296,827	121,032	34,449	452,308	406,120
Professional fees	10,263	-	800	11,063	16,439
Disposal and treatment	-	763,235	-	763,235	753,836
Utilities	89,092	-	-	89,092	88,239
Repairs and maintenance	227,685	22,113	57,367	307,165	264,844
Other	154,734	105,374	19,776	279,884	272,416
Facilities	61,204	26,714	7,645	95,563	82,326
Depreciation/amortization	211,960	126,288	28,544	366,792	354,796
Total operating expenses	1,051,765	1,164,756	148,581	2,365,102	2,239,016
Operating income (loss)	173,602	63,627	44,690	281,919	524,725
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	3,884	205	893	4,982	5,844
Miscellaneous expense	(6,349)	-	-	(6,349)	(11,627)
Interest expense	(18,183)	(23,024)	(4,055)	(45,262)	(52,066)
Transfers in (out)	28,231	11,447	(4,000)	35,678	-
Property tax	-	32,911	-	32,911	32,911
Total non-operating revenue (expense)	7,583	21,539	(7,162)	21,960	(24,938)
Change in net position	181,185	85,166	37,528	303,879	499,787
Total net position - beginning	6,923,856	1,916,186	391,888	9,231,930	8,732,143
Total net position -ending	<u>\$ 7,105,041</u>	<u>\$ 2,001,352</u>	<u>\$ 429,416</u>	<u>\$ 9,535,809</u>	<u>\$ 9,231,930</u>

**NORTH LOGAN CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**

**For the Year Ended June 30, 2015**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,020,807	\$ 1,153,723	\$ 192,457	\$ 2,366,987	\$ 2,759,109
Payments to suppliers	(185,686)	(896,243)	(83,818)	(1,165,747)	(1,358,319)
Payments to employees	(296,827)	(121,032)	(34,449)	(452,308)	(406,120)
Net cash provided by operating activities	<u>538,294</u>	<u>136,448</u>	<u>74,190</u>	<u>748,932</u>	<u>994,670</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(170,000)	(67,258)	-	(237,258)	(260,718)
Interest paid on capital debt	(18,183)	(23,024)	(4,055)	(45,262)	(52,066)
Purchases of capital assets	(659,560)	(73,804)	(13,312)	(746,676)	(843,227)
Net cash used by capital and related financing activities	<u>(847,743)</u>	<u>(131,175)</u>	<u>(17,367)</u>	<u>(996,285)</u>	<u>(1,123,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>3,884</u>	<u>205</u>	<u>893</u>	<u>4,982</u>	<u>5,844</u>
Net cash provided by investing activities	<u>3,884</u>	<u>205</u>	<u>893</u>	<u>4,982</u>	<u>5,844</u>
Net increase (decrease) in cash and cash equivalents	(305,565)	5,478	57,716	(242,371)	(122,586)
Cash and equivalents at beginning of year	<u>630,757</u>	<u>361,729</u>	<u>272,030</u>	<u>1,264,516</u>	<u>1,387,102</u>
Cash and equivalents at end of year	<u><u>\$ 325,192</u></u>	<u><u>\$ 367,207</u></u>	<u><u>\$ 329,746</u></u>	<u><u>\$ 1,022,145</u></u>	<u><u>\$ 1,264,516</u></u>

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**

*Continued*

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS 2015</u>	<u>2014</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 173,602	\$ 63,627	\$ 44,690	\$ 281,919	\$ 524,725
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation	211,960	126,288	28,544	366,792	354,796
Changes in assets & liabilities:					
Decrease (increase) in receivables	42,347	2,404	(814)	43,937	(4,632)
Decrease (increase) in interfund receivables	140,904	(140,904)	-	-	-
Increase (decrease) in accruals	(52,401)	73,586	5,770	26,955	131,408
Miscellaneous expense/transfers	21,882	11,447	(4,000)	29,329	(11,627)
Total adjustments	<u>364,692</u>	<u>72,821</u>	<u>29,500</u>	<u>467,013</u>	<u>469,945</u>
Net cash provided (used) by operating activities:	<u>\$ 538,294</u>	<u>\$ 136,448</u>	<u>\$ 74,190</u>	<u>\$ 748,932</u>	<u>\$ 994,670</u>

Non cash transactions:

Assets in the stormwater of \$157,725 were purchased through a capital lease



**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

**For the Year Ended June 30, 2015**

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**1. STRUCTURE**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a governing body consisting of a mayor and five council members, with the mayor voting only to break a tie).

The mayor appoints the planning commission, library board, and other committees with the consent of the city council.

The justice court is located in Hyde Park City. The same judge presides over both courts and bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying a monthly share based on an agreed upon formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a library board set operational policies and recommend the budget when a dedicated property tax is used. Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. Friends of the Library writes checks to provide funds to the City for library use. The Thorne Endowment also provided \$192,593 in library funding for the year ended June 30, 2015.

Water, sewer, and storm water services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on the square footage occupied. Parks, storm drain cleaning, and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow removal.

A staff planner provides input to the planning commission and handles economic development.

## **NORTH LOGAN CITY**

### **Notes to the Financial Statements**

#### ***Continued***

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#### **1. STRUCTURE – *continued***

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles all accounting, utility billing, and clerical functions.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Reporting Model**

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements.

##### **Financial Reporting Entity**

The financial statements of the City consist only of the funds of the City. The City established a redevelopment agency (RDA) pursuant to Utah Code and designated the mayor and the city council as the RDA board. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

##### **Fund Accounting/Basis of Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net position are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting, which recognizes revenues when they become both measurable and available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**Fund Accounting/Basis of Accounting – *continued***

“Measureable” means that the amount of the transaction can be determined and “available” means that the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers amounts collected within 60 days after year end to be available. Under this method of accounting, expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the General Fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations. The Library and RDA Funds are classified as major special revenue funds.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations that are financed and operated like a private sector business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB 34 was implemented.

All fixed assets greater than \$3,000 are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems donated by developers).

All enterprise funds are accounted for on a cost of services, or “capital maintenance” measurement focus. This means that long-term assets and debts are included on the enterprise fund balance sheets.

# **NORTH LOGAN CITY**

## **Notes to the Financial Statements**

### ***Continued***

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

### **Fund Accounting/Basis of Accounting – *continued***

Depreciation is calculated on a straight line basis. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are as follows:

Sewer & water systems	50 years
Roads	20 years
Buildings & improvements	10-50 years
Equipment	3-20 years

Annual budgets are adopted by the city council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are externally imposed due to state or federal laws or conditions issued by grantors or creditors. Committed fund balance represents the amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council. Assigned fund balance is constrained by the city council's intent to be used for specific purposes. Unassigned fund balance constitutes the residual balances in the General Fund not classified as restricted, committed, or assigned.

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Interfund transfers represent flows of cash or other assets without a requirement for repayment. Interfund transfers are classified as other financing sources and other financing uses. Interfund payable and receivable balances reflect the amounts of temporary resources used between funds. These amounts are all current and are shown in the liability section as interfund payable/receivable.

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**Fund Accounting/Basis of Accounting – *continued***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Reconciliation of government-wide and fund financial statements**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental funds type balance sheet includes reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds type balance sheets.

*Capital related items:*

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 30,068,784
Accumulated depreciation	(14,818,933)
Total difference	<u><u>\$ 15,249,851</u></u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**Reconciliation of government-wide and fund financial statements – *continued***

*Long-term liabilities:*

Long-term liabilities were not due and payable in the current period and therefore were not reported in the fund financial statements.

Principal portion of bonds and leases	\$ (1,054,544)
Accrued interest payable	(218)
Deferred amount on refunding	(31,456)
Compensated absences	(184,722)
	<u>\$ (1,270,940)</u>

Pension related assets, liabilities, deferred inflows and deferred outflows were not due and payable in the current period and therefore were not reported in the fund financial statements.

Pension asset	\$ 24,340
Net pension liability	(740,062)
Deferred outflow of resources - pension	174,882
Deferred inflow of resources - pension	(139,939)
	<u>\$ (680,779)</u>

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference were as follows:

Capital outlay	\$ 1,640,656
Loss on disposal of fixed assets	(24,813)
Depreciation expense	(857,711)
Net difference as reported	<u>\$ 758,132</u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**Reconciliation of government-wide and fund financial statements – *continued***

- B. Explanation of differences between governmental fund operating statements and the statement of net activities – *continued*

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 479,056
Repayment of capital lease principal	79,920
Change in accrued compensated absences	(27,185)
Change in accrued interest payable	210
Amortization of bond refunding	31,455
	<u>\$ 563,456</u>

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports 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 or periods and therefore will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has the following sources that qualify for reporting in this category:

- Deferred charge on refunding – results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments and b) City contributions subsequent to the measurement date of December 31, 2014.

In addition to liabilities, the statement of financial position reports 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 or periods and will not be recognized as an inflow of resources (revenue) until that time. The City reported one of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience and b) changes of assumptions in the measurement of the net pension liability/asset. These amounts also are reported on the government-wide statement of net position.

## **NORTH LOGAN CITY**

### **Notes to the Financial Statements**

#### ***Continued***

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

### **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 position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **3. CASH & INVESTMENTS**

### **Deposits and Investments**

Deposits and investments for the City 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 the City's exposure to various risks related to its cash management activities.

### **Custodial Credit Risk**

*Deposits* – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government 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, 2015, \$0 of the City's bank balances of \$264,018 was uninsured and uncollateralized.



**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**3. CASH & INVESTMENTS – *continued***

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City 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 subject 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. For the year ended June 30, 2015, the City had investments of \$1,994,256 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**4. ACCOUNTS RECEIVABLE**

The City had accounts receivable as of June 30, 2015, as follows:

Property tax	\$ 1,060,871
Sales tax	146,917
Sewer	100,865 (net of \$15,850 allowance)
Garbage and Dispatch fee	78,857 (net of \$12,388 allowance)
Class C Road funds	58,597
Water	68,151 (net of \$10,678 allowance)
Court	22,825 (net of \$104,715 allowance)
Other receivables	22,090
Capital projects	107,166
Energy use tax	21,668
Storm water	17,869 (net of \$2,795 allowance)
Total	<u><u>\$ 1,705,876</u></u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**5. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the City's participation in the State Risk Management system for municipalities. This is a pooled arrangement where the municipalities pay experienced 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 or increased as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2015, consisted of the following:

	<u>7/1/14</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/15</u>	<u>Due in 1 yr</u>
Water fund:					
US Bank Trust \$1,185,000 due in annual installments ranging from \$160,000 to \$180,000 per year plus int. ranging from 2% to 3%.	\$ 695,000	\$ -	\$170,000	\$ 525,000	\$ 170,000
Total water fund				<u>\$ 525,000</u>	<u>\$ 170,000</u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including int. at 5%	331,535	-	43,577	\$ 287,958	\$ 44,015
GMAC; \$560,000 due in monthly installments of \$32,911 including int. at 5%	185,588	-	23,681	161,907	24,782
Total sewer fund				<u>\$ 449,865</u>	<u>\$ 68,797</u>
Stormwater fund:					
Capital lease; \$34,096 due in annual installments including interest of 2.65%. Asset value \$231,714 with acc. depr. of \$11,586 and depr. of \$11,586.	\$ -	\$ 157,725	\$ -	\$ 157,725	\$ 29,866
Total stormwater fund				<u>\$ 157,725</u>	<u>\$ 29,866</u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**6. LONG-TERM DEBT – *continued***

Library fund:

US bank \$1,065,000 due in  
annual installments ranging  
from \$118,000 to \$150,000  
plus interest of 3.49%.

294,000	-	144,000	\$	150,000	\$	150,000
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Total library fund

		\$	150,000	\$	150,000
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RDA fund:

US bank \$1,065,000 due in  
annual installments ranging  
from \$118,000 to \$150,000  
plus interest of 3.49%.

-	1,000,000	335,056	\$	664,944	\$	170,000
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Total library fund

		\$	664,944	\$	170,000
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General Fund:

Capital lease; \$138,520 due in  
annual installments of \$26,124-  
\$29,330 including interest of 2.93%.  
Asset value \$138,520 with acc. depr.  
of \$69,260 and depr. of \$27,704.

83,066	-	26,891	\$	56,175	\$	27,681
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Capital lease; \$71,426 due in  
monthly installments of \$1,296  
including interest of 3.39%. Asset  
value \$71,426 with acc. depr.  
of \$7,143 and depr. of \$7,143.

-	71,426	13,379		58,047	13,795
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Capital lease; \$159,696 due in  
annual installments of \$34,487  
including interest of 3.865%.  
Asset value \$159,696 with acc. depr.  
of \$7,985 and depr. of \$7,985.

-	159,696	34,318	125,378	29,555
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Capital lease; \$33,221 due in  
annual installments of \$5,491-  
\$9,200 including interest of 2.98%.  
Asset value \$33,221 with acc. depr.  
of \$32,113 and depr. of \$6,644.

5,332	-	5,332	-	-
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Total general fund

		\$	239,600	\$	71,031
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Total long term debt

		\$	2,187,134	\$	659,694
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**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

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**6. LONG-TERM DEBT – *continued***

Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements. The City is in compliance with all significant bond requirements.

The annual requirements to amortize long-term debt outstanding as of June 30, 2015, were as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2016	\$ 662,694	\$ 53,070
2017	524,492	37,677
2018	507,251	26,230
2019	306,677	14,352
2020	186,020	6,380
Totals	<u>\$ 2,187,134</u>	<u>\$ 137,709</u>

**Advance Refunding – March 18, 2010**

The City issued \$1,065,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$1,305,000 of general obligation bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$251,641. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

**Advance Refunding- March 30, 2014**

The City issued \$1,185,000 of water revenue refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$1,425,000 of water revenue bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The net carrying amount of the old debt exceeded the new bond by \$24,461. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

## **7. PENSION PLANS**

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

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); Firefighters Retirement System (Firefighters System) are multiple employer, cost sharing, public employees, retirement systems.
- The Public Safety Retirement System (Public Safety System is a mixed agent and cost sharing, multiple employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System); are multiple employer, cost sharing public employees, retirement systems.

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

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

**7. PENSION PLANS – *continued***

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.00% per year over 20 years present	Up to 2.5% to 4% depending on employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.00% per year over 20 years present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years 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.

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**7. PENSION PLANS – *continued***

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

Utah Retirement Systems	Employee paid	Paid by Employer for Employee	Employer Contribution Rates
<b>Contributory System</b>			
11- Local Governmental Division Tier 1	n/a	6.00%	14.46%
111- Local Governmental Division Tier 2	n/a	n/a	14.83%
<b>Noncontributory System</b>			
15- Local Governmental Division Tier 1	n/a	n/a	18.47%
<b>Public Safety Retirement System</b>			
75 - Other Division A Noncontributory Tier 1	n/a	n/a	35.71%
77 - Other Division A Contributory Tier 1	n/a	12.29%	24.33%
122 - Other Division A Contributory Tier 2	n/a	n/a	23.71%
<b>Firefighters System</b>			
31- Division A Tier 1	n/a	15.05%	3.82%
132- Division B Tier 2	n/a	n/a	10.80%

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

At December 31, 2014, we reported a net pension asset of \$24,340 and a net pension liability of \$740,062.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1120130%	\$ -	\$ 486,387
Contributory System	0.1471111%	-	42,433
Public Safety System	0.1679745%	-	211,242
Firefighters System	0.3947098%	22,524	-
Tier 2 Public Employees System	0.0231233%	701	-
Tier 2 Public Safety and Firefighter System	0.0753594%	1,115	-
Total Net Pension Asset/Liability		<u>\$ 24,340</u>	<u>\$ 740,062</u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

**7. PENSION PLANS – *continued***

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled forward using generally accepted actuarial procedures.

The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$203,474. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36	\$ 47,548
Changes in assumptions	-	92,391
Net difference between projected and actual earnings on pension plan investments	20,124	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	154,722	-
Total	<u>\$ 174,882</u>	<u>\$ 139,939</u>

\$154,722 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (34,928)
2016	(29,739)
2017	(27,620)
2018	(18,955)
2019	(2,711)
Thereafter	(5,826)



**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**7. PENSION PLANS – *continued***

*Actuarial assumptions* – The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50-10.50%, average, including inflation
Investment rate of Return	7.50%, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

**Retired Member Mortality**

Class of Member

---

**Educators**

Men EDUM (90%)

Women EDUF (100%)

---

**Public Safety and Firefighters**

Men RP 2000mWC (100%)

Women EDUF (120%)

---

**Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

---

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

---

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

**7. PENSION PLANS – *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. 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:

Asset class	Target Asset Allocation	Expected Return Arithmetic Basis	
		Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.5 percent assumed investment rate of return is comprised of an inflation rate of 2.75 percent, a real return of 4.75 percent that is net of investment expense.

*Discount rate* – The discount rate used to measure the total pension liability was 7.5 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.

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**7. PENSION PLANS – *continued***

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 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 one percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of net pension (asset)/liability	\$ 1,905,623	\$ 715,722	\$ (266,880)

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

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

***Continued***

**8. CHANGES IN FIXED ASSETS**

General fund fixed asset changes occurring for the year ended June 30, 2015, were as follows:

	<u>7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2015</u>
Land and water shares	\$ 3,810,424	\$ 252,909	\$ -	\$ 4,063,333
Buildings	3,664,408	102,917	-	3,767,325
Library	363,125	143,463	27,952	478,636
Police	419,384	65,421	-	484,805
Fire	1,422,417	10,230	-	1,432,647
Streets	907,460	173,759	-	1,081,219
Parks	1,411,147	692,553	13,574	2,090,126
Facilities	75,173	31,938	-	107,111
Inspection	104,799	500	-	105,299
Administrative	37,001	-	-	37,001
Executive	47,220	-	-	47,220
Planner	5,930	-	-	5,930
Cemetery	63,033	-	-	63,033
Construction in progress	-	-	-	-
Road system	<u>14,907,011</u>	<u>1,398,088</u>	<u>-</u>	<u>16,305,099</u>
Total assets	<u>27,238,532</u>	<u>2,871,778</u>	<u>41,526</u>	<u>30,068,784</u>
Accumulated depreciation	<u>(13,977,935)</u>	<u>(857,711)</u>	<u>(16,713)</u>	<u>(14,818,933)</u>
Net assets	<u>\$ 13,260,597</u>	<u>\$ 2,014,067</u>	<u>\$ 24,813</u>	<u>\$ 15,249,851</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,854
Public safety	111,274
Streets	475,850
Parks & recreation	<u>254,733</u>
	<u>\$ 857,711</u>

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

**8. CHANGES IN FIXED ASSETS – *continued***

Enterprise fund fixed asset changes for the year ended June 30, 2015 were as follows:

	<u>7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2015</u>
Water:				
Land and water shares	\$ 473,559	\$ -	\$ -	\$ 473,559
System	9,448,279	653,825	-	10,102,104
Buildings & equipment	821,270	5,735	10,000	817,005
Accumulated depreciation	(4,244,195)	(211,063)	(10,000)	(4,445,258)
Net position	<u>\$ 6,498,913</u>	<u>\$ 448,497</u>	<u>\$ -</u>	<u>\$ 6,947,410</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	5,019,562	72,804	-	5,092,366
Equipment	376,813	1,000	-	377,813
Accumulated depreciation	(2,822,384)	(126,288)	-	(2,948,672)
Net position	<u>\$ 2,574,841</u>	<u>\$ (52,484)</u>	<u>\$ -</u>	<u>\$ 2,522,357</u>
Storm water:				
System	\$ 15,760	\$ 12,559	\$ -	\$ 28,319
Equipment	164,420	232,467	164,420	232,467
Accumulated depreciation	(74,146)	(28,544)	(90,431)	(12,259)
Net position	<u>\$ 106,034</u>	<u>\$ 216,482</u>	<u>\$ 73,989</u>	<u>\$ 248,527</u>

**9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Net working capital for the enterprise funds is calculated as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Current assets:			
Cash	\$ 325,192	\$ 367,207	\$ 329,746
Receivables	68,151	100,865	17,869
Current liabilities			
Accounts payable	(97,158)	(535,146)	(4,946)
Accrued interest	(547)	(4,066)	(4,055)
Current portion long-term debt	(170,000)	(68,797)	(29,866)
Net working capital	<u>\$ 125,638</u>	<u>\$ (139,937)</u>	<u>\$ 308,748</u>

## **NORTH LOGAN CITY**

### **Notes to the Financial Statements**

#### ***Continued***

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#### **10. COMPENSATED ABSENCES**

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees were still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$185,407 in the General, Water and Sewer funds. All vacation hours and all compensatory time hours would be paid upon termination. Only 10 percent of sick hours would be paid (unless the employee retires through the Utah Retirement System and has worked for the City for a required amount of time). Sick hours excluded amounts to \$364,208. Based on past experience 20 percent of sick hours would be used in a year.

#### **11. OPERATING LEASES**

The City has various operating leases for equipment and vehicles and paid \$11,084 in rental payments for the year. The future payments are as follows:

2016	\$	9,553
2017		398
Total	\$	<u>9,951</u>

#### **12. MEMORANDUM TOTALS**

Total columns on the financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is also not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain reclassifications have been made to the prior year balances to be consistent with the current year presentation.

#### **13. RESTATEMENT OF PRIOR YEAR AMOUNTS**

In 2015, the City adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The new standards require the City to recognize a liability in its government-wide financial statements for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plans as administered by Utah Retirement Systems)—the collective net pension liability. The City is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions

**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

*Continued*

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**13. RESTATEMENT OF PRIOR YEAR AMOUNTS - *continued***

and collective deferred outflows of resources and deferred inflows of resources related to pensions. City contributions to the pension plans subsequent to the measurement date (December 31) of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions. The governmental fund financial statements of the City are not affected by these new standards. Pension expenditures in the governmental funds continue to be recognized equal to the total of a) amounts paid by the City to the pension plans and b) the change between the beginning and ending balances of amounts of contributions currently payable to the pensions.

The 2014 year end amounts that were restated include the following: net pension asset \$445 (debit), net pension liability \$931,681 (credit), deferred outflows of resources – pension \$136,218 (debit) and net position unrestricted \$795,018 (debit).

The notes to the basic financial statements now include additional information about the defined benefit pension plans. Also, the City will be presenting in required supplementary information 10-year schedules containing a) the net pension liability and certain related ratios and b) information about statutorily required contributions, contributions to the pension plans, and related ratios. Because this is the first year such information is available, only one year of required supplementary information is presented with these financial statements; information for additional years will be presented in future reports as it becomes available.

The City's unrestricted net position at June 30, 2015 is a deficit balance of \$487,610. This balance includes the City's proportionate share of the unfunded obligation of the defined benefit pension plans administered by URS as described in Note 7 to the basic financial statements. The existence of an unrestricted net position deficit indicates the City's overall economic net position, but it does not necessarily reflect positively or negatively on the City's ability to meet its obligations as they come due.

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## **REQUIRED SUPPLEMENTAL SECTION**

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**NORTH LOGAN CITY**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years**

**For the Year Ended December 31, 2014**

	<b>Noncontributory System</b>	<b>Contributory Retirement System</b>	<b>Public Safety System</b>	<b>Firefighters System</b>	<b>Tier 2 Public Employees System</b>	<b>Tier 2 Public Safety and Firefighter System</b>
Proportion of the net pension liability (asset)	0.1120130%	0.1471111%	0.1679745%	0.3947098%	0.0232330%	0.0753594%
Proportionate share of the net pension liability (asset)	\$ 486,387	\$ 42,433	\$ 211,242	\$ (22,524)	\$ (701)	\$ (1,115)
Covered employee payroll	\$ 946,667	\$ 78,637	\$ 376,769	\$ 103,621	\$ 113,431	\$ 31,144
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.4%	54.0%	56.1%	-21.7%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	90.5%	103.5%	103.5%	120.5%

Note: The schedule only presents information for 2014; prior-year information is not available.

**NORTH LOGAN CITY**  
**Schedule of Contributions**  
**Last 10 Fiscal Years**

**For the Year Ended December 31, 2014**

	<b>Noncontributory System</b>	<b>Contributory Retirement System</b>	<b>Public Safety System</b>	<b>Firefighters System</b>	<b>Tier 2 Public Employees System</b>
Contractually required contribution	\$ 176,053	\$ 10,916	\$ 82,737	\$ 3,519	\$ 9,540
Contributions in relation to the contractually required contribution	<u>(176,053)</u>	<u>(10,916)</u>	<u>(82,737)</u>	<u>(3,519)</u>	<u>(9,540)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 946,667	\$ 78,637	\$ 376,769	\$ 103,621	\$ 113,431
Contributions as a percentage of covered-employee payroll**	18.60%	13.88%	21.96%	3.40%	8.41%

Note: The schedule only presents information for 2014; prior-year information is not available.

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

**NORTH LOGAN CITY**  
**Notes to Required Supplementary Information**

**For the Year Ended December 31, 2014**

Defined Contribution System  
December 31, 2014

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$ 27,813	\$ 39,222
457 Plan	2,706	-
Roth IRA Plan	-	-
Traditional IRA Plan	-	-
HRA Plan	-	-

\* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Defined Contribution 401(k) Plan.

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## **SUPPLEMENTAL SECTION**

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**NORTH LOGAN CITY**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**

**As of June 30, 2015**

	Storm water	Total Nonmajor Proprietary 2015	2014
<b>ASSETS</b>			
Cash and cash equivalents	\$ 329,746	\$ 329,746	\$ 272,030
Accounts receivable	17,869	17,869	17,055
Total current assets	347,615	347,615	289,085
Capital assets			
Distribution and collection systems	28,319	28,319	15,760
Buildings and equipment	232,467	232,467	164,420
Less accumulated depreciation	(12,259)	(12,259)	(74,146)
Total noncurrent assets	248,527	248,527	106,034
Total assets	<u>\$ 596,142</u>	<u>\$ 596,142</u>	<u>\$ 395,119</u>
<b>LIABILITIES &amp; NET POSITION</b>			
Liabilities:			
Accounts payable	\$ 4,946	\$ 4,946	\$ 3,231
Accrued interest payable	4,055	4,055	-
Capital lease payable - due within a year	29,866	29,866	-
Total current liabilities	38,867	38,867	3,231
Noncurrent liabilities:			
Capital lease payable - due in more than one year	127,859	127,859	-
Total noncurrent liabilities	127,859	127,859	-
Total liabilities	166,726	166,726	3,231
<b>NET POSITION</b>			
Net investment in capital assets	86,747	86,747	106,034
Unrestricted	342,669	342,669	285,854
Total net position	429,416	429,416	391,888
Total liabilities & net position	<u>\$ 596,142</u>	<u>\$ 596,142</u>	<u>\$ 395,119</u>

**NORTH LOGAN CITY****Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Nonmajor Proprietary Funds****For the year ended June 30, 2015**

	Storm Water	Total Nonmajor Proprietary	
		2015	2014
OPERATING REVENUES			
Charges for services	\$ 193,271	\$ 193,271	\$ 188,972
Total operating revenues	193,271	193,271	188,972
OPERATING EXPENSES			
Wages and benefits	34,449	34,449	20,214
Professional fees	800	800	2,000
Repairs and maintenance	57,367	57,367	114,326
Other	19,776	19,776	18,459
Facilities	7,645	7,645	6,450
Depreciation	28,544	28,544	16,599
Total operating expenses	148,581	148,581	178,048
Operating income (loss)	44,690	44,690	10,924
NON-OPERATING EXPENSES			
Interest income	893	893	737
Interest expense	(4,055)	(4,055)	(1,434)
Transfers	(4,000)	(4,000)	(4,000)
Total non-operating expenses	(7,162)	(7,162)	(4,697)
Change in net position	37,528	37,528	6,227
Net position-beginning	391,888	391,888	385,661
Net position-ending	\$ 429,416	\$ 429,416	\$ 391,888

**NORTH LOGAN CITY**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**

**For the year ended June 30, 2015**

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 192,457	\$ 192,457	\$ 188,205
Payments to suppliers	(83,818)	(83,818)	(146,837)
Payments to employees	(34,449)	(34,449)	(20,214)
Net cash provided (used) by operating activities:	74,190	74,190	21,154
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	-	-	(34,209)
Interest paid on capital debt	(4,055)	(4,055)	(1,434)
Purchases of capital assets	(13,312)	(13,312)	(15,760)
Net cash used by capital and related financing activities	(17,367)	(17,367)	(51,403)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	893	893	737
Net cash provided by investing activities	893	893	737
Net decrease in cash and cash equivalents	57,716	57,716	(29,512)
Cash and equivalents at beginning of year	272,030	272,030	301,542
Cash and equivalents at end of year	\$ 329,746	\$ 329,746	\$ 272,030
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 44,690	\$ 44,690	\$ 10,924
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	28,544	28,544	16,599
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	(814)	(814)	(767)
Increase (decrease) in accruals	5,770	5,770	(1,602)
Total adjustments	29,500	29,500	10,230
Net cash provided (used) by operating activities:	\$ 74,190	\$ 74,190	\$ 21,154

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

To the Honorable Mayor and City Council of  
North Logan City  
North Logan, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Logan City, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise North Logan City, Utah's basic financial statements and have issued our report thereon dated November 2, 2015.

**Internal Control Over Financial Reporting**

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 "Alfred Jackson". The signature is written in a cursive style with a large, stylized initial 'A'.

North Logan, UT  
November 2, 2015



**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Mayor and City Council of  
North Logan City  
North Logan, Utah

**Report On Compliance with General State Compliance Requirements**

We have audited North Logan City, Utah's (the City) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the City for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Transfers from Utility Enterprise Funds
- Utah Retirement System
- Tax Levy Revenue Recognition
- Restricted Taxes
- Open and Public Meetings
- Cash Management
- Conflicts of Interest
- Nepotism

The City did not have any state funding classified as a major program during the year ended June 30, 2015.

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, North Logan City, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and described in the accompanying schedule of findings and recommendations as items 2015-1 through 2015-2.

The City's responses to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general 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, we do not express an opinion on the effectiveness of the City'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 general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general 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 general 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, stylized 'A' and 'J'.

North Logan, UT  
November 2, 2015

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## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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## **CURRENT YEAR FINDINGS**

### **2015-1: Deficit Fund Balance (State compliance)**

*Description:* The Library fund ended the fiscal year with a deficit balance. State law requires that the City appropriate 5% of the subsequent budget's revenues in excess of expenditures to retire the deficit. The City did not appropriate the required amount.

*Recommendation:* We recommend that the City revise the Library fund budget and establish a plan to retire the deficit fund balance.

*Management response:* During FY2015 the Library expected some donations that did not arrive. Between donation received in FY2016 and the City's General Fund, Management will bring the Library Fund Balance into compliance during FY2016 by giving particular attention to the Library Fund during budget revisions during FY2016.

### **2015-2: Utah Retirement Systems (State compliance)**

*Description:* The City had one employee who took a leave of absence. Employers are required to maintain accurate records relating to all leave of absence and notify the retirement office of the beginning and ending dates of leave.

*Recommendation:* We recommend that the City notify the Utah Retirement Office with all employee leave of absence beginning and ending dates.

*Management response:* The missed notification was due to new personnel overseeing HR and unaware of the need to notify URS of the leave of absence due to the employee using accumulated sick and vacation time. Management and the HR person are now informed and will notify URS of any individual taking a leave of absence regardless of time off with or without pay.

## **PRIOR YEAR FINDINGS**

### **2014-1: Employee expenses/documentation (significant deficiency)**

*Description:* During the testing of employee expenses we noted that many receipts for items charged on the City credit card were not kept for documentation purposes. This occurred with multiple City employees and the Library. The missing receipts were approximately \$2,600, most of them for the Library. This is a repeat finding.

*Recommendation:* We recommend that all employee expenses be reviewed for appropriateness and proper documentation. If an employee fails to provide documentation, management should consider removing credit card privileges.

*Management response:* Management will reinforce to all department heads and all employees, the specific requirement that receipts be turned into Accounts Payable for all purchases. If an employee fails to provide documentation, Accounts Payable will notify their department head and the treasurer. If an employee fails to provide documentation repeatedly then management will consider removing the employees' credit card privileges and any other necessary actions.

*Status:* The City reconciled all credit card receipts prior to the yearend audit. Great improvement from the City in tracking and retaining documentation.

**2014-2:      Audit Adjustments (significant deficiency)**

*Description:* While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, principal portions or debt, and adjust accounts receivable. Although the City regularly posts and adjusts these accounts, these adjustments were not originally identified by management and therefore represent a significant deficiency in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles. Auditor noted improvement in this area this year.

*Recommendation:* We recommend that prior to audit fieldwork the City review and adjust all accounts to ensure the current year organizational financial statements reflect the correct year end balances.

*Management response:* Management will review and adjust accounts payable, debt, and accounts receivable at least monthly throughout the fiscal year. After the end of the fiscal year and prior to the trial balance being delivered to the auditor a final review and additional adjustments will be performed as needed. Allred Jackson will be contacted for input as questions arise.

*Status:* Although the City had some additional adjustments that needed to be posted, the majority of them were reclassification entries and/or immaterial financial amounts.

**2014-3:      Budgetary Compliance (State compliance)**

*Description:* During our review of the budget to actual for the departments of the City, we noted that the general fund expenditures exceeded the appropriations. This was due solely to the revenue and expense recognition of the mass transit authority (pass through funds) that had previously not been budgeted for.

*Recommendation:* We recommend that the City budget for the projected pass through funds of the mass transit authority.

*Management response:* Management will budget for and track the pass-through funds of the Mass Transit Tax.

*Status:* The City was within the budget amounts for the current year.