



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

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INTRODUCTORY SECTION

CITY OF NORTH LOGAN

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LLOYD BERENTZEN
MAYOR

JEFFERY M. JORGENSEN, P.E.
CITY ADMINISTRATOR

November 18, 2016

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, 2016, 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, 2016, 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, 2016, 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, 2016, 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

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FINANCIAL SECTION



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, 2016, 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, 2016, 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.

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 as listed in the table of contents 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 18, 2016, 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.

Very truly yours,

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

Allred Jackson

North Logan, UT
November 18, 2016

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NORTH LOGAN CITY Management's Discussion and Analysis

For the Year Ended June 30, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- The total net position of North Logan City decreased 3 percent to \$22,922,961.
- The total net position of \$22,922,961 was made up of \$21,668,880 in capital assets net of related debt and \$1,015,954 of restricted net position.
- In the General Fund, revenues exceeded expenditures by \$157,162 before other financing sources and uses.
- Total long-term debt of the City was decreased by \$617,948.
- Business-type activities' total net position increased \$367,967.

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).

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

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 \$22,922,961.

The greatest portion of North Logan City's net position (95%) 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.

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Current and other assets	\$ 2,162,375	\$ 2,160,303	\$ 734,027	\$ 1,209,030
Non current assets	637,243	452,076	387,204	502,965
Capital assets	13,274,617	15,249,851	9,970,288	9,718,294
Deferred outflow of resources	466,916	174,882	116,220	9,869
Total assets and def. outflows	16,541,151	18,037,112	11,207,739	11,440,158
Long-term debt outstanding	736,559	1,054,544	832,627	1,132,590
Other liabilities	1,639,840	1,715,247	442,732	268,794
Deferred inflow of resources	1,145,567	1,163,562	28,604	-
Total liabilities and def. inflows	3,521,966	3,933,353	1,303,963	1,401,384
Net position				
Net investment in capital assets	12,538,058	14,163,633	9,130,522	8,570,203
Restricted	628,750	427,736	387,204	502,965
Unrestricted	(147,623)	(487,610)	386,050	462,641
Total net position	<u>\$ 13,019,185</u>	<u>\$ 14,103,759</u>	<u>\$ 9,903,776</u>	<u>\$ 9,535,809</u>

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Revenues:				
Program revenues:				
Charges for services	\$ 1,616,541	\$ 2,028,200	\$ 2,486,770	\$ 2,328,997
Dedicated property tax	681,213	707,922	32,911	32,911
Operating grants & contributions	345,862	357,320	-	-
Capital grants & contributions	645,793	520,272	268,083	318,024
General revenues:				
Property taxes	669,297	660,420	-	-
Other taxes	2,946,333	2,755,533	-	4,982
Investment income	8,441	7,491	5,618	-
Other revenues	(1,107,110)	41,651	-	-
Total revenues	<u>5,806,370</u>	<u>7,078,809</u>	<u>2,793,382</u>	<u>2,684,914</u>
Expenses:				
General government	843,006	901,465	-	-
Public Safety	1,786,149	1,799,942	-	-
Streets	1,572,809	1,716,617	-	-
Public works	29,362	37,039	-	-
Sanitation	845,039	741,638	-	-
Parks & recreation	1,403,291	892,190	-	-
Community development	231,288	126,484	-	-
Water	-	-	1,134,517	1,076,297
Sewer	-	-	1,207,742	1,187,780
Storm water	-	-	263,156	152,636
Total expenses	<u>6,710,944</u>	<u>6,215,375</u>	<u>2,605,415</u>	<u>2,416,713</u>
Transfers in (out)	<u>(180,000)</u>	<u>(35,678)</u>	<u>180,000</u>	<u>35,678</u>
Increase (decrease) in net position	(1,084,574)	827,756	367,967	303,879
Net position, beginning, restated	14,103,759	13,276,003	9,535,809	9,231,930
Net position, ending	<u>\$ 13,019,185</u>	<u>\$ 14,103,759</u>	<u>\$ 9,903,776</u>	<u>\$ 9,535,809</u>

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

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, 2016, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,163,179. This represents an increase of \$357,552 (44%) 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 64 percent of total general fund revenues. The largest element was sales tax, which represented 65 percent of total tax revenues and 40 percent of total General Fund revenues. This compares with 38 percent in the prior fiscal year ended June 30, 2015.

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 the separation of the North Park Police Agency in which North Logan transferred assets which resulted in a \$1.4 million loss on the financial statements.

Significant changes in business-type activities included a decrease in long-term debt of \$299,963 due to bond and capital lease principal payments.

GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was \$5,975,218, which increased 3 percent to \$6,154,901 due to increased costs associated with general government, streets and parks.

The Library Fund original budget for expenditures was \$643,181, which was increased 18 percent to \$760,734 to cover general operations.

The RDA Fund original and final budget for expenditures of \$282,843.

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, 2016, totaled \$23,244,905. 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:

- \$ 257,512 for sewer system improvements.
- \$ 352,099 for water improvements.
- \$ 215,938 for park improvements.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 3,773,752	\$ 474,409
Buildings and equipment	8,247,886	1,329,361
Systems	16,305,099	15,832,400
Less: Accumulated depreciation	(15,052,120)	(7,665,882)
Total	<u>\$ 13,274,617</u>	<u>\$ 9,970,288</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, 2016, the City had total bonded debt outstanding of \$735,435. Of this amount \$137,092 is considered to be general obligation debt and backed by the full faith and credit of the City and \$598,343 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations were \$833,751.

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ -	\$ 137,092
Capital lease and notes payable	736,559	97,192
Revenue bonds	-	598,343
Total outstanding debt	<u>\$ 736,559</u>	<u>\$ 832,627</u>

The City's debt decreased by \$617,948 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, 2016

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2016	2015
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 672,067	\$ 492,338	\$ 1,164,405	\$ 1,104,512
Account receivable, net	1,407,385	241,689	1,649,074	1,705,876
Prepaid expense	82,923	-	82,923	55,980
Total current assets	2,162,375	734,027	2,896,402	2,866,368
Noncurrent assets:				
Restricted cash	628,750	387,204	1,015,954	930,701
Capital assets:				
Land and water shares	3,773,752	474,409	4,248,161	4,537,742
Distribution and collection systems	16,305,099	15,832,400	32,137,499	31,527,888
Buildings and equipment	8,247,886	1,329,361	9,577,247	11,127,637
Less: Accumulated depreciation	(15,052,120)	(7,665,882)	(22,718,002)	(22,225,122)
Total capital assets	13,274,617	9,970,288	23,244,905	24,968,145
Pension asset	8,493	-	8,493	24,340
Total noncurrent assets	13,911,860	10,357,492	24,269,352	25,923,186
Total assets	16,074,235	11,091,519	27,165,754	28,789,554
Deferred outflow of resources - pensions	466,916	109,524	576,440	174,882
Deferred outflow of resources - bond premiums	-	6,696	6,696	9,869
Total assets and deferred outflows	\$ 16,541,151	\$ 11,207,739	\$ 27,748,890	\$ 28,974,305
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable	\$ 467,206	\$ 183,206	\$ 650,412	\$ 860,821
Accrued expense	105,653	-	105,653	121,833
Deposits	31,464	-	31,464	29,428
Accrued interest payable	-	7,139	7,139	8,886
Bonds payable within one year	246,481	247,344	493,825	662,694
Total current liabilities	850,804	437,689	1,288,493	1,683,662
Noncurrent liabilities:				
Net pension liability	909,391	213,314	1,122,705	740,062
Bonds and leases payable	490,078	585,283	1,075,361	1,524,440
Refunding bond premium	-	4,555	4,555	38,289
Accrued compensated absences	126,126	34,518	160,644	184,722
Total noncurrent liabilities	1,525,595	837,670	2,363,265	2,487,513
Deferred Inflows of Resources - pensions	121,944	28,604	150,548	139,939
Deferred Inflows of Resources - property taxes	1,023,623	-	1,023,623	1,023,623
Total liabilities & deferred inflows of resources	3,521,966	1,303,963	4,825,929	5,334,737
NET POSITION				
Net investment in capital assets	12,538,058	9,130,522	21,668,580	22,733,836
Restricted for:				
Debt service	-	275,186	275,186	288,142
Impact fees/park projects	628,750	112,018	740,768	617,855
State liquor funds	-	-	-	24,180
Grants and contributions	-	-	-	524
Unrestricted	(147,623)	386,050	238,427	(24,969)
Total net position	\$ 13,019,185	\$ 9,903,776	\$ 22,922,961	\$ 23,639,568

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

NORTH LOGAN CITY
Statement of Activities

For the Year Ended June 30, 2016

	Program Revenues								
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants Grants & Contributions	Net Governmental Activities	Business Type Activities	Memorandum Totals	
								2016	2015
Governmental activities:									
General government	\$ 843,006	\$ 428,536	\$ -	\$ -	\$ -	\$ (414,470)	\$ -	\$ (414,470)	\$ (127,371)
Public Safety	1,786,149	320,980	-	16,498	48,134	(1,400,537)	-	(1,400,537)	(1,373,676)
Streets	1,572,809	1,000	-	312,307	118,788	(1,140,714)	-	(1,140,714)	(1,204,907)
Public works	29,362	-	-	-	-	(29,362)	-	(29,362)	(37,039)
Sanitation	845,039	812,659	-	-	-	(32,380)	-	(32,380)	52,510
Parks and recreation	1,403,291	53,366	493,559	17,057	478,871	(360,438)	-	(360,438)	(31,739)
Community development	231,288	-	187,654	-	-	(43,634)	-	(43,634)	120,561
Total governmental activities	6,710,944	1,616,541	681,213	345,862	645,793	(3,421,535)	-	(3,421,535)	(2,601,661)
Business-type activities:									
Water	1,134,517	1,085,388	-	-	203,788	-	154,659	154,659	149,070
Sewer	1,207,742	1,197,592	32,911	-	64,295	-	87,056	87,056	73,514
Storm water	263,156	203,790	-	-	-	-	(59,366)	(59,366)	40,635
Total business-type activities	2,605,415	2,486,770	32,911	-	268,083	-	182,349	182,349	263,219
General Revenues:									
Taxes:									
Property taxes levied for general purposes						669,297	-	669,297	660,420
Franchise and other taxes						594,585	-	594,585	553,420
General sales taxes & highway sales taxes						2,351,748	-	2,351,748	2,202,113
Business licenses						34,824	-	34,824	36,514
Gain (loss) on sale of assets						(1,141,934)	-	(1,141,934)	5,137
Investment income						8,441	5,618	14,059	12,473
Transfers in (out)						(180,000)	180,000	-	-
Total general revenues						2,336,961	185,618	2,522,579	3,470,077
Change in net position						(1,084,574)	367,967	(716,607)	1,131,635
Net position - beginning						14,103,759	9,535,809	23,639,568	22,507,933
Net position - ending						\$ 13,019,185	\$ 9,903,776	\$ 22,922,961	\$ 23,639,568

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

NORTH LOGAN CITY
Balance Sheet
Governmental Funds

As of June 30, 2016

	General	Library	Capital Projects	RDA	Governmental Funds (memo)	
					2016	2015
ASSETS						
Cash & cash equivalents	\$ 308,470	\$ -	\$ 167,406	\$ 196,191	\$ 672,067	\$ 585,332
Accounts receivable, net	915,158	416,334	-	75,893	1,407,385	1,518,991
Prepaid expense	82,923	-	-	-	82,923	55,980
Restricted cash	605,358	-	23,392	-	628,750	427,736
Total assets	<u>\$ 1,911,909</u>	<u>\$ 416,334</u>	<u>\$ 190,798</u>	<u>\$ 272,084</u>	<u>\$ 2,791,125</u>	<u>\$ 2,588,039</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE						
Liabilities:						
Interfund payable/receivable	\$ (109,322)	\$ 109,322	\$ -	\$ -	\$ -	\$ -
Accounts payable	354,391	15,861	-	96,954	467,206	642,958
Accrued expenses	98,965	6,688	-	-	105,653	86,403
Deposits	31,464	-	-	-	31,464	29,428
Total liabilities	<u>375,498</u>	<u>131,871</u>	<u>-</u>	<u>96,954</u>	<u>604,323</u>	<u>758,789</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>906,894</u>	<u>548,205</u>	<u>-</u>	<u>172,847</u>	<u>1,627,946</u>	<u>1,782,412</u>
Fund Balance:						
Non spendable	82,923	-	-	-	82,923	55,980
Restricted for:						
Park impact/park projects	361,872	-	23,392	-	385,264	278,961
Road impact	243,486	-	-	-	243,486	124,071
State liquor funds	-	-	-	-	-	24,180
Shop with a cop	-	-	-	-	-	524
Assigned for:						
Little League	3,571	-	-	-	3,571	10,700
Cemetery	423,804	-	-	-	423,804	407,819
Junior Jazz	9,078	-	-	-	9,078	8,915
Sports	742	-	-	-	742	3,518
Wildland fires	26,358	-	-	-	26,358	70,241
Elk Ridge Park	5,174	-	-	-	5,174	2,529
Special revenue funds	-	(131,871)	-	99,237	(32,634)	103,216
Capital projects funds	-	-	167,406	-	167,406	(301,656)
Unassigned for: General Fund	<u>(151,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,993)</u>	<u>16,629</u>
Total fund balances	<u>1,005,015</u>	<u>(131,871)</u>	<u>190,798</u>	<u>99,237</u>	<u>1,163,179</u>	<u>805,627</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,911,909</u>	<u>\$ 416,334</u>	<u>\$ 190,798</u>	<u>\$ 272,084</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 \$28,326,737 and \$30,068,784, respectively and the accumulated depreciation is \$15,052,120 and \$14,818,933 respectively.					13,274,617	15,249,851
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.					(862,685)	(1,270,940)
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the funds					(555,926)	(680,779)
Total net position-governmental activities					<u>\$ 13,019,185</u>	<u>\$ 14,103,759</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, 2016

			Capital		Memorandum Totals Governmental Funds	
	General	Library	Projects	RDA	2016	2015
Revenues:						
Taxes	\$ 3,615,630	\$ 493,559	\$ -	\$ 187,654	\$ 4,296,843	\$ 4,123,875
Licenses and permits	349,999	-	-	-	349,999	343,233
Intergovernmental revenue	357,704	9,819	41,000	-	408,523	566,768
Charges for services	1,328,421	-	-	-	1,328,421	1,541,663
Fines	130,612	8,586	-	-	139,198	159,610
Other	31,787	192,878	145	510	225,320	230,273
Total revenues	5,814,153	704,842	41,145	188,164	6,748,304	6,965,422
Expenditures:						
Current operations:						
General government	1,025,356	-	-	-	1,025,356	985,740
Public safety	1,741,105	-	-	-	1,741,105	1,780,415
Streets	1,359,693	-	7,955	-	1,367,648	1,810,192
Public works	29,362	-	-	-	29,362	37,039
Sanitation	845,039	-	-	-	845,039	741,638
Parks and recreation	526,849	604,856	183,185	-	1,314,890	1,765,215
Community development	129,587	-	-	101,701	231,288	292,393
Debt service:						
Principal	-	137,500	-	-	137,500	144,500
Interest	-	4,799	-	-	4,799	10,633
Total expenditures	5,656,991	747,155	191,140	101,701	6,696,987	7,567,765
Excess (deficiency) of revenues over expenditures	157,162	(42,313)	(149,995)	86,463	51,317	(602,343)
Other financing sources (uses):						
Sale of capital assets	217	-	286,018	-	286,235	29,950
Capital contributions	-	-	200,000	-	200,000	-
Transfers in (out)	(150,000)	-	150,000	(180,000)	(180,000)	(35,678)
Total other financing sources	(149,783)	-	636,018	(180,000)	306,235	(5,728)
Net change in fund balances	7,379	(42,313)	486,023	(93,537)	357,552	(608,071)
Fund balances, beginning of year	997,636	(89,558)	(295,225)	192,774	805,627	1,413,698
Fund balances, end of year	\$ 1,005,015	\$ (131,871)	\$ 190,798	\$ 99,237	\$ 1,163,179	\$ 805,627

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

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, 2016

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

Net change in fund balances-total governmental funds	\$ 357,552
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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	392,502	
Loss on disposal of assets	(1,428,169)	
Depreciation expense	(939,567)	(1,975,234)

Pension (expense) benefit	124,853
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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	317,985	
Change in accrued interest payable	218	
Change in accrued compensated absences	58,596	
Amortization of bond refunding	31,456	408,255

Change in net position of governmental activities	\$ (1,084,574)
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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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 571,717	\$ 553,853	\$ 560,807	\$ 6,954
Prior years' taxes-delinquent	36,267	54,200	54,266	66
General sales & use taxes	2,310,771	2,366,298	2,351,748	(14,550)
Franchise taxes	43,153	43,153	22,900	(20,253)
Mass transit tax	490,385	535,000	571,685	36,685
Fee-in-lieu of property taxes	56,888	56,888	54,224	(2,664)
Total taxes	3,509,181	3,609,392	3,615,630	6,238
Licenses & permits:				
Business licenses & permits	40,000	40,000	34,824	(5,176)
Building structures & equipment	290,565	320,000	310,851	(9,149)
Animal licenses	3,500	3,500	4,324	824
Total licenses & permits	334,065	363,500	349,999	(13,501)
Intergovernmental revenues:				
Public safety	9,500	25,634	29,832	4,198
State and other governmental grants	252,599	223,565	15,565	(208,000)
Class "C" road fund allotment	320,000	380,000	312,307	(67,693)
Total intergovernmental revenues	582,099	629,199	357,704	(271,495)
Charges for services:				
Zoning & subdivision fees	166,000	326,000	300,772	(25,228)
Sale of maps & publications	200	200	-	(200)
Public safety	402,725	153,424	179,844	26,420
Refuse collection charges	798,962	798,962	812,659	13,697
Cemetery fees	4,000	20,500	22,010	1,510
Parks and public property	101,100	27,240	13,136	(14,104)
Total charges for services	1,472,987	1,326,326	1,328,421	2,095
Fines & forfeitures:				
Fines	137,000	142,000	130,132	(11,868)
Forfeitures	2,000	2,000	480	(1,520)
Total fines & forfeitures	139,000	144,000	130,612	(13,388)
Miscellaneous revenue:				
Interest earnings	2,190	2,790	7,780	4,990
Rents & miscellaneous	-	34,198	24,007	(10,191)
Sale of materials & supplies	27,500	10,000	217	(9,783)
Total Miscellaneous revenue	29,690	46,988	32,004	(14,984)
Total Revenues	\$ 6,067,022	\$ 6,119,405	\$ 5,814,370	\$ (305,035)

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
General Fund

Continued

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL FUND EXPENDITURES				
General government:				
Legislative	\$ 76,616	\$ 189,207	\$ 182,638	\$ 6,569
Judicial	175,539	206,500	206,395	105
Executive	110,464	126,553	119,649	6,904
Administrative	144,735	147,507	146,940	567
Non-departmental	332,908	357,127	364,619	(7,492)
Planning & zoning	9,368	7,242	5,115	2,127
Total general government	849,630	1,034,136	1,025,356	8,780
Public safety:				
Police department	1,167,254	990,650	1,028,274	(37,624)
Fire department	394,398	455,563	455,248	315
Protective inspection	244,538	265,360	246,866	18,494
Animal control	80,875	7,900	10,717	(2,817)
Total public safety	1,887,065	1,719,473	1,741,105	(21,632)
Streets & public improvements:				
Streets	1,361,693	1,359,833	1,359,693	140
Public works	-	29,647	29,362	285
Sanitation	750,561	779,505	845,039	(65,534)
Total streets & improvements	2,112,254	2,168,985	2,234,094	(65,109)
Parks, recreation & public property:				
Park & park areas	761,724	790,207	383,375	406,832
Recreation & culture	70,521	121,276	120,039	1,237
Cemetery	36,200	36,200	23,435	12,765
Total parks, recreation & public property	868,445	947,683	526,849	420,834
Community & economic development:				
Community planning	132,824	134,624	129,587	5,037
Transfers & other uses:				
Transfer to other funds	125,000	150,000	150,000	-
Total transfers & other uses	125,000	150,000	150,000	-
TOTAL EXPENDITURES	5,975,218	6,154,901	5,806,991	347,910
Net change in fund balance	91,804	(35,496)	7,379	42,875
Fund balance at beginning of year	997,636	997,636	997,636	-
Fund balance at end of year	\$ 1,089,440	\$ 962,140	\$ 1,005,015	\$ 42,875

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

NORTH LOGAN CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Library and RDA Funds

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
LIBRARY FUND REVENUES				
Dedicated property taxes	\$ 448,216	\$ 488,262	\$ 493,559	\$ 5,297
Intergovernmental revenue	-	4,000	9,819	5,819
Fines	10,000	10,000	8,586	(1,414)
Other	184,965	224,965	192,878	(32,087)
Total revenues	643,181	727,227	704,842	(22,385)
LIBRARY FUND EXPENDITURES				
General operations	487,946	605,499	604,856	643
Debt service principal	155,235	150,000	137,500	12,500
Debt service interest	-	5,235	4,799	436
Total expenditures	643,181	760,734	747,155	13,579
Excess (deficiency) of revenues over expenditures	-	(33,507)	(42,313)	8,806
Other financing sources (uses): Proceeds from sale of asset	-	-	18,160	(18,160)
Net change in fund balance	-	(33,507)	(24,153)	(9,354)
Fund balance at beginning of year	(89,558)	(89,558)	(89,558)	-
Fund balance at end of year	<u>\$ (89,558)</u>	<u>\$ (123,065)</u>	<u>\$ (113,711)</u>	<u>\$ (9,354)</u>
RDA FUND REVENUES				
Dedicated property taxes	\$ 280,000	\$ 280,000	\$ 187,654	\$ (92,346)
Other	832	832	510	(322)
Total revenues	280,832	280,832	188,164	(92,668)
RDA FUND EXPENDITURES				
Community development	282,843	282,843	101,701	181,142
Excess (deficiency) of revenues over expenditures	(2,011)	(2,011)	86,463	(273,810)
Transfer to other funds	-	-	(180,000)	180,000
Net change in fund balance	(2,011)	(2,011)	(93,537)	(93,810)
Fund balance at beginning of year	192,774	192,774	192,774	-
Fund balance at end of year	<u>\$ 190,763</u>	<u>\$ 190,763</u>	<u>\$ 99,237</u>	<u>\$ (93,810)</u>

NORTH LOGAN CITY
Statement of Net Position
Proprietary Funds

As of June 30, 2016

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2016	2015
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 245,330	\$ -	\$ 247,008	\$ 492,338	\$ 519,180
Accounts receivable, net	101,412	120,844	19,433	241,689	186,885
Total current assets	346,742	120,844	266,441	734,027	706,065
Noncurrent assets:					
Restricted cash	121,666	265,538	-	387,204	502,965
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	10,454,203	5,349,878	28,319	15,832,400	15,222,789
Buildings and equipment	751,491	345,403	232,467	1,329,361	1,427,285
Less accumulated depreciation	(4,597,797)	(3,031,937)	(36,148)	(7,665,882)	(7,406,189)
Total noncurrent assets	7,203,122	2,929,732	224,638	10,357,492	10,221,259
Deferred outflow of resources- pensions	74,937	23,058	11,529	109,524	-
Deferred outflow of resources- refunding	6,696	-	-	6,696	9,869
TOTAL ASSETS AND DEF.					
OUTFLOW OF RESOURCES	7,631,497	3,073,634	502,608	11,207,739	10,937,193
LIABILITIES					
Current liabilities:					
Interfund payable/receivable	(303,903)	303,903	-	-	-
Accounts payable	27,244	146,376	9,586	183,206	217,863
Accrued payables	28,867	5,651	-	34,518	35,430
Accrued interest payable	407	3,446	3,286	7,139	8,668
Bonds payable - due within a year	175,000	72,344	-	247,344	268,663
Total current liabilities	(72,385)	531,720	12,872	472,207	530,624
Noncurrent liabilities:					
Net pension liability	145,952	44,908	22,454	213,314	-
Bonds payable - due in more than one year	180,000	308,091	97,192	585,283	863,927
Bond premium on refunding	4,555	-	-	4,555	6,833
Total noncurrent liabilities	330,507	352,999	119,646	803,152	870,760
Total liabilities	258,122	884,719	132,518	1,275,359	1,401,384
Deferred inflow of resources- pensions	19,571	6,022	3,011	28,604	-
Total liabilities and deferred inflows	277,693	890,741	135,529	1,303,963	1,401,384
NET POSITION					
Net investment in capital assets	6,726,049	2,280,313	124,160	9,130,522	8,570,203
Restricted for debt service	121,666	153,520	-	275,186	288,142
Restricted for impact fees	-	112,018	-	112,018	214,823
Unrestricted	506,089	(362,958)	242,919	386,050	462,641
Total net position	\$7,353,804	\$2,182,893	\$367,079	\$9,903,776	\$9,535,809

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

For the Year Ended June 30, 2016

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2016	2015
OPERATING REVENUES:					
Charges for services	\$ 1,081,781	\$ 1,197,592	\$ 203,790	\$ 2,483,163	\$ 2,323,050
Impact fees	203,788	64,295	-	268,083	318,024
Other	3,607	-	-	3,607	5,947
Total operating revenues	1,289,176	1,261,887	203,790	2,754,853	2,647,021
OPERATING EXPENSES					
Wages and benefits	371,009	116,906	55,657	543,572	452,308
Professional fees	16,297	7,972	4,500	28,769	11,063
Disposal and treatment	-	802,313	-	802,313	763,235
Utilities	104,116	-	-	104,116	89,092
Repairs and maintenance	189,555	16,044	146,322	351,921	307,165
Other	143,137	93,746	18,522	255,405	279,884
Facilities	59,033	25,766	7,374	92,173	95,563
Depreciation	226,551	124,175	23,889	374,615	366,792
Total operating expenses	1,109,698	1,186,922	256,264	2,552,884	2,365,102
Operating income (loss)	179,478	74,965	(52,474)	201,969	281,919
NON-OPERATING REVENUES (EXPENSES)					
Interest income	4,104	485	1,029	5,618	4,982
Miscellaneous expense	(10,496)	-	-	(10,496)	(6,349)
Interest expense	(14,323)	(20,820)	(6,892)	(42,035)	(45,262)
Transfers in (out)	90,000	94,000	(4,000)	180,000	35,678
Property tax	-	32,911	-	32,911	32,911
Total non-operating revenue (expense)	69,285	106,576	(9,863)	165,998	21,960
Change in net position	248,763	181,541	(62,337)	367,967	303,879
Total net position - beginning	7,105,041	2,001,352	429,416	9,535,809	9,231,930
Total net position -ending	<u>\$ 7,353,804</u>	<u>\$ 2,182,893</u>	<u>\$ 367,079</u>	<u>\$ 9,903,776</u>	<u>\$ 9,535,809</u>

NORTH LOGAN CITY
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2016

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,255,915	\$ 1,241,908	\$ 202,226	\$ 2,700,049	\$ 2,366,987
Payments to suppliers	(286,208)	(894,805)	(162,911)	(1,343,924)	(1,165,747)
Payments to employees	(371,009)	(116,906)	(55,657)	(543,572)	(452,308)
Net cash provided by operating activities	<u>598,698</u>	<u>230,197</u>	<u>(16,342)</u>	<u>812,553</u>	<u>748,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(170,000)	(69,430)	(60,533)	(299,963)	(237,258)
Interest paid on capital debt	(14,323)	(20,820)	(6,892)	(42,035)	(45,262)
Purchases of capital assets	(376,675)	(275,012)	-	(651,687)	(746,676)
Net cash used by capital and related financing activities	<u>(560,998)</u>	<u>(332,351)</u>	<u>(67,425)</u>	<u>(960,774)</u>	<u>(996,285)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>4,104</u>	<u>485</u>	<u>1,029</u>	<u>5,618</u>	<u>4,982</u>
Net cash provided by investing activities	<u>4,104</u>	<u>485</u>	<u>1,029</u>	<u>5,618</u>	<u>4,982</u>
Net increase (decrease) in cash and cash equivalents	41,804	(101,669)	(82,738)	(142,603)	(242,371)
Cash and equivalents at beginning of year	<u>325,192</u>	<u>367,207</u>	<u>329,746</u>	<u>1,022,145</u>	<u>1,264,516</u>
Cash and equivalents at end of year	<u><u>\$ 366,996</u></u>	<u><u>\$ 265,538</u></u>	<u><u>\$ 247,008</u></u>	<u><u>\$ 879,542</u></u>	<u><u>\$ 1,022,145</u></u>

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

NORTH LOGAN CITY
Statement of Cash Flows
Proprietary Funds

Continued

Reconciliation of operating income (loss) to
net cash provided by operating
activities:

Operating income	\$ 179,478	\$ 74,965	(52,474)	\$ 201,969	\$ 281,919
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation	226,551	124,175	23,889	374,615	366,792
Loss on sale of assets	16,078	9,000			
Changes in assets & liabilities:					
Decrease (increase) in receivables	(33,261)	(19,979)	(1,564)	(54,804)	43,937
Decrease (increase) in interfund receivables	80,054	(80,054)	-	-	-
Decrease (increase) in deferred outflows	(71,764)	(23,058)	(11,529)		
Increase (decrease) in accruals	102,487	45,126	26,325	173,938	26,955
Increase (decrease) in deferred inflows	19,571	6,022	3,011		
Miscellaneous expense/transfers	79,504	94,000	(4,000)	169,504	29,329
Total adjustments	419,220	155,232	36,132	610,584	467,013
Net cash provided (used) by operating activities:	<u>\$ 598,698</u>	<u>\$ 230,197</u>	<u>\$ (16,342)</u>	<u>\$ 812,553</u>	<u>\$ 748,932</u>

Non cash transactions:

Assets in the storm water of \$157,725 were purchased through a capital lease in 2015.

NORTH LOGAN CITY
Notes to the Financial Statements

For the Year Ended June 30, 2016

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 Agency. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Park Police Agency, with North Logan and Hyde Park paying a monthly share based on an agreed upon formula. North Park Police Agency was created in August 2015 and separated from North Logan City.

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 \$176,000 in library funding for the year ended June 30, 2016.

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

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

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. The City typically will transfer funds from the General Fund to the Capital Projects fund for the future purchase of capital items. Other transfers between funds will also reflect activity for capital projects. Interfund payable and receivable balances reflect the amounts of temporary resources used between funds. These amounts are due to covering amounts of negative pooled cash and are all current and shown in the liability section as interfund payable/receivable.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

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	\$ 28,326,737
Accumulated depreciation	(15,052,120)
Total difference	<u>\$ 13,274,617</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	\$ (736,559)
Accrued interest payable	-
Deferred amount on refunding	-
Compensated absences	(126,126)
	<u>\$ (862,685)</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	\$ 8,493
Net pension liability	(909,391)
Deferred outflow of resources - pension	466,916
Deferred inflow of resources - pension	(121,944)
	<u>\$ (555,926)</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	\$ 392,502
Loss on disposal of fixed assets, including police department transfer	(1,428,169)
Depreciation expense	(939,567)
Net difference as reported	<u>\$ (1,975,234)</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*

- 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	\$ 246,954
Repayment of capital lease principal	71,031
Change in accrued compensated absences	58,596
Change in accrued interest payable	218
Amortization of bond refunding	31,456
	<u>\$ 408,255</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 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, 2015.

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 two 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.

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. Plan investments are reported at fair value.

3. CASH & INVESTMENTS

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Deposits

Deposits - Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code, the "Act") in handling its depository and investing transactions. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$6,978 of the local government's bank balances of \$256,978 was uninsured and uncollateralized.

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

3. CASH & INVESTMENTS – *continued*

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

3. CASH & INVESTMENTS – continued

At June 30, 2016 the City had the following recurring fair value measurements.

<u>Investments by fair value level</u>	<u>6/30/2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Utah Public Treasurers' Investment	\$ 1,961,642	\$ -	\$ 1,961,642	\$ -
Total investments measured at fair value	\$ 1,961,642	\$ -	\$ 1,961,642	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Utah Public Treasurers' Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund;

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2016, the District's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Securities				
Utah Public Treasurers' Investment	\$ 1,961,642	\$ 1,961,642	\$ -	\$ -
Total investments measured at fair value	\$ 1,961,642	\$ 1,961,642	\$ -	\$ -

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

4. ACCOUNTS RECEIVABLE

The City had accounts receivable as of June 30, 2016, as follows:

Property tax	\$ 1,060,871	
Sales tax	164,230	
Sewer	120,844	(net of \$16,713 allowance)
Garbage and Dispatch fee	83,407	(net of \$11,578 allowance)
Class C Road funds	59,822	
Water	101,412	(net of \$14,055 allowance)
Court	16,532	(net of \$102,222 allowance)
Other receivables	1,990	
Energy use tax	20,533	
Storm water	19,433	(net of \$2,703 allowance)
Total	<u>\$ 1,649,074</u>	

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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT

Long-term debt at June 30, 2016, consisted of the following:

Water fund:	<u>7/1/15</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/16</u>	<u>Due in 1 yr</u>
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%.	\$ 525,000	\$ -	\$170,000	<u>\$ 355,000</u>	<u>\$ 175,000</u>
Total water fund				<u><u>\$ 355,000</u></u>	<u><u>\$ 175,000</u></u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including int. at 5%	287,958	-	44,615	\$ 243,343	\$ 46,323
GMAC; \$560,000 due in monthly installments of \$32,911 including int. at 5%	161,907	-	24,815	<u>137,092</u>	<u>26,021</u>
Total sewer fund				<u><u>\$ 380,435</u></u>	<u><u>\$ 72,344</u></u>
Storm water fund:					
Capital lease; \$34,096 due in annual installments including interest of 2.65%. Asset value \$231,714 with acc. depr. of \$34,757 and depr. of \$23,171.	\$ 157,725	\$ -	\$ 60,533	<u>\$ 97,192</u>	<u>\$ -</u>
Total storm water fund				<u><u>\$ 97,192</u></u>	<u><u>\$ -</u></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%.	150,000	-	150,000	\$ -	\$ -
Total library fund				<u>\$ -</u>	<u>\$ -</u>

RDA fund:

Developer note payable for \$1,000,000 due as available from tax increment subsidies of approx. \$173,000 over 5 years.	664,944	-	96,954	\$ 567,990	\$ 173,000
Total library fund				<u>\$ 567,990</u>	<u>\$ 173,000</u>

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 \$96,964 and depr. of \$27,704.	56,175	-	27,681	\$ 28,494	\$ 28,494
Capital lease; \$71,426 due in monthly installments of \$1,296 including interest of 3.39%. Asset value \$71,426 with acc. depr. of \$21,428 and depr. of \$14,285.	58,047	-	13,795	44,252	14,270
Capital lease; \$159,696 due in annual installments of \$34,487 including interest of 3.865%. Asset value \$159,696 with acc. depr. of \$23,954 and depr. of \$15,970.	125,378	-	29,555	95,823	30,717
Total general fund				<u>\$ 168,569</u>	<u>\$ 73,481</u>

Total long term debt				<u>\$ 1,569,186</u>	<u>\$ 493,825</u>
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Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements. The City is in compliance with all significant bond requirements.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT – *continued*

The annual requirements to amortize long-term debt outstanding as of June 30, 2016, were as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2017	\$ 493,825	\$ 34,248
2018	507,251	26,230
2019	382,723	14,352
2020	185,387	6,380
Totals	<u>\$ 1,569,186</u>	<u>\$ 81,210</u>

Advance Refunding- March 30, 2015

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, retirement systems.
- The Public Safety Retirement System (Public Safety System is a mixed agent and cost sharing, multiple employer public employee 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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS - continued

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 Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website: www.urs.org.

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	Employer Rates for 401k plan
Contributory System				
11- Local Governmental Division Tier 1	6.00%	n/a	14.46%	n/a
111- Local Governmental Division Tier 2	n/a	n/a	16.67%	1.78%
Noncontributory System				
15- Local Governmental Division Tier 1	n/a	n/a	18.47%	n/a
Public Safety Retirement System				
Contributory:				
77 - Other Division A with 4% COLA	12.29%	n/a	24.33%	n/a
122 - Tier 2 DB Hybrid Public Safety	n/a	n/a	23.66%	1.33%
Noncontributory				
75 - Other Division A with 4% COLA	n/a	n/a	35.71%	n/a
Firefighters System				
31- Other Division A	n/a	15.05%	3.99%	n/a
Tier 2 DC Only				
211- Local Government	n/a	n/a	6.69%	10.00%

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

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

For the fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 172,997	n/a
Contributory System	12,000	-
Public Safety System	73,810	-
Firefighters System	4,346	-
Tier 2 Public Employees System	24,420	-
Tier 2 Public Safety and Firefighter System	7,733	-
Total Contributions	<u>\$ 295,306</u>	<u>\$ -</u>

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

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

At June 30, 2016, we reported a net pension asset of \$8,493 and a net pension liability of \$1,122,705.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1186791%	\$ -	\$ 671,544
Contributory System	0.1931606%	-	135,764
Public Safety System	0.1760763%	-	315,397
Firefighters System	0.4175805%	7,563	-
Tier 2 Public Employees System	0.0240126%	52	-
Tier 2 Public Safety and Firefighter System	0.0600659%	878	-
Total Net Pension Asset/Liability		<u>\$ 8,493</u>	<u>\$ 1,122,705</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognized pension expense of \$302,847. At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152	\$ 77,978
Changes in assumptions	-	72,228
Net difference between projected and actual earnings on pension plan investments	404,239	-
Changes in proportion and differences between contributions and proportionate share of contributions	40,912	342
Contributions subsequent to the measurement date	131,137	-
Total	<u>\$ 576,440</u>	<u>\$ 150,548</u>

\$131,137 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, 2015. 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
2016	\$ 66,195
2017	66,498
2018	75,290
2019	94,186
2020	(3,457)
Thereafter	(3,956)

Actuarial assumptions – The total pension liability in the December 31, 2015, 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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period of ending 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:

	Discount Rate		
	1% Decrease (6.50%)	(7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 1,418,906	\$ 671,544	\$ 47,647
Contributory System	239,093	135,764	49,014
Public Safety System	667,878	315,397	28,413
Firefighters System	102,950	(7,563)	(97,322)
Tier 2 Public Employees System	9,613	(52)	(7,378)
Tier 2 Public Safety and Firefighter Syst	1,492	(878)	(2,699)
Total	<u>\$ 2,439,932</u>	<u>\$ 1,114,212</u>	<u>\$ 17,675</u>

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

Defined Contribution Savings Plans

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

The City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

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

	2016		2015		2014	
401(k) Plan						
Employer Contributions	\$	39,745	\$	40,742	\$	39,840
Employee Contributions	\$	31,457	\$	31,457	\$	23,277
457 Plan						
Employee Contributions	\$	780	\$	1,791	\$	3,564

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, 2016, were as

	<u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>
Land and water shares	\$ 4,063,333	\$ -	\$ 289,581	\$ 3,773,752
Buildings	3,767,325	7,048	1,255,816	2,518,557
Library	478,636	25,403	23,800	480,239
Police	484,805	-	484,805	-
Fire	1,432,647	58,399	10,000	1,481,046
Streets	1,081,219	50,180	26,954	1,104,445
Parks	2,090,126	215,938	-	2,306,064
Facilities	107,111	5,648	-	112,759
Inspection	105,299	-	-	105,299
Administrative	37,001	9,241	6,949	39,293
Executive	47,220	-	36,644	10,576
Planner	5,930	-	-	5,930
Cemetery	63,033	20,645	-	83,678
Construction in progress	-	-	-	-
Road system	16,305,099	-	-	16,305,099
Total assets	<u>30,068,784</u>	<u>392,502</u>	<u>2,134,549</u>	<u>28,326,737</u>
Accumulated depreciation	<u>(14,818,933)</u>	<u>(939,567)</u>	<u>(706,380)</u>	<u>(15,052,120)</u>
Net assets	<u>\$ 15,249,851</u>	<u>\$ (547,065)</u>	<u>\$ 1,428,169</u>	<u>\$ 13,274,617</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 10,340
Public safety	103,443
Streets	312,577
Parks & recreation	513,207
	<u>\$ 939,567</u>

follows:

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, 2016 were as follows:

	<u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>
Water:				
Land and water shares	\$ 473,559	\$ -	\$ -	\$ 473,559
System	10,102,104	352,099	-	10,454,203
Buildings & equipment	817,005	24,576	90,090	751,491
Accumulated depreciation	(4,445,258)	(226,551)	(74,012)	(4,597,797)
Net position	<u>\$ 6,947,410</u>	<u>\$ 150,124</u>	<u>\$ 16,078</u>	<u>\$ 7,081,456</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	5,092,366	257,512	-	5,349,878
Equipment	377,813	17,500	49,910	345,403
Accumulated depreciation	(2,948,672)	(124,175)	(40,910)	(3,031,937)
Net position	<u>\$ 2,522,357</u>	<u>\$ 150,837</u>	<u>\$ 9,000</u>	<u>\$ 2,664,194</u>
Storm water:				
System	\$ 28,319	\$ -	\$ -	\$ 28,319
Equipment	232,467	-	-	232,467
Accumulated depreciation	(12,259)	(23,889)	-	(36,148)
Net position	<u>\$ 248,527</u>	<u>\$ (23,889)</u>	<u>\$ -</u>	<u>\$ 224,638</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

9. 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.

10. 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:

2017	\$	7,680
2018		<u>7,282</u>
Total	\$	<u><u>14,962</u></u>

11. 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.

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REQUIRED SUPPLEMENTAL SECTION

NORTH LOGAN CITY
Schedule of the Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2016

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory System	2015	0.1120130%	\$ 486,387	\$ 946,667	51.38%	90.20%
	2016	0.1186791%	671,544	1,005,100	66.81%	87.80%
Contributory System	2015	0.14711111%	\$ 42,433	\$ 78,637	53.96%	94.00%
	2016	0.1931606%	135,764	82,303	164.96%	85.70%
Public Safety System	2015	0.1679745%	\$ 211,242	\$ 376,769	56.07%	90.50%
	2016	0.1760763%	315,397	398,523	79.14%	87.10%
Firefighters System	2015	0.3947098%	\$ (22,524)	\$ 103,621	-21.74%	103.50%
	2016	0.4175805%	(7,563)	112,219	-6.74%	101.00%
Tier 2 Public Employees System*	2015	0.0232330%	\$ (701)	\$ 113,431	-0.62%	103.50%
	2016	0.0240126%	(52)	155,141	-0.03%	100.20%
Tier 2 Public Safety and Firefighter System*	2015	0.0753590%	\$ (1,115)	\$ 31,144	-3.58%	120.50%
	2016	0.0600659%	(878)	35,740	-2.46%	110.70%

NORTH LOGAN CITY
Schedule of Contributions

For the Year Ended June 30, 2016

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	as a percentage of covered employee payroll
Noncontributory System	2014	\$ 167,845	\$ 167,845	\$ -	\$ 972,212	17.26%
	2015	179,087	179,087	-	981,583	18.24%
	2016	172,997	172,997	-	941,635	18.37%
Contributory System	2014	\$ 10,240	\$ 10,240	\$ -	\$ 77,109	13.28%
	2015	11,717	11,717	-	81,894	14.31%
	2016	12,000	12,000	-	82,989	14.46%
Public Safety System	2014	\$ 79,590	\$ 79,590	\$ -	\$ 382,088	20.83%
	2015	82,420	82,420	-	386,019	21.35%
	2016	73,810	73,810	-	341,034	21.64%
Firefighters System	2014	\$ 3,025	\$ 3,025	\$ -	\$ 102,195	2.96%
	2015	4,060	4,060	-	107,543	3.78%
	2016	4,346	4,346	-	108,921	3.99%
Tier 2 Public Employees System*	2014	\$ 14,160	\$ 14,160	\$ -	\$ 101,214	13.99%
	2015	19,500	19,500	-	132,854	14.68%
	2016	24,420	24,420	-	163,781	14.91%
Tier 2 Public Safety and Firefighter System*	2014	\$ 3,264	\$ 3,264	\$ -	\$ 14,566	22.41%
	2015	7,952	7,952	-	33,943	23.43%
	2016	7,733	7,733	-	32,685	23.66%
Tier 2 Public Employees DC Only System*	2014	\$ 477	\$ 477	\$ -	\$ 8,632	5.53%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%

NORTH LOGAN CITY
Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes in Assumptions:

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.5%.

Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

SUPPLEMENTAL SECTION

NORTH LOGAN CITY
Combining Statement of Net Position
Nonmajor Proprietary Funds

As of June 30, 2016

	Storm water	Total Nonmajor Proprietary	
		2016	2015
ASSETS			
Cash and cash equivalents	\$ 247,008	\$ 247,008	\$ 329,746
Accounts receivable	19,433	19,433	17,869
Total current assets	266,441	266,441	347,615
Capital assets			
Distribution and collection systems	28,319	28,319	28,319
Buildings and equipment	232,467	232,467	232,467
Less accumulated depreciation	(36,148)	(36,148)	(12,259)
Total noncurrent assets	224,638	224,638	248,527
Deferred outflows of resources-pensions	11,529	11,529	-
Total assets	\$ 502,608	\$ 502,608	\$ 596,142
LIABILITIES & NET POSITION			
Liabilities:			
Accounts payable	\$ 9,586	\$ 9,586	\$ 4,946
Accrued interest payable	3,286	3,286	4,055
Capital lease payable - due within a year	-	-	29,866
Total current liabilities	12,872	12,872	38,867
Noncurrent liabilities:			
Pension liability	22,454	22,454	-
Capital lease payable - due in more than one year	97,192	97,192	127,859
Total noncurrent liabilities	119,646	119,646	127,859
Total liabilities	132,518	132,518	166,726
Deferred inflow of resources- pensions	3,011	3,011	-
Total liabilities and deferred inflows	135,529	135,529	166,726
NET POSITION			
Net investment in capital assets	124,160	124,160	86,747
Unrestricted	242,919	242,919	342,669
Total net position	367,079	367,079	429,416
Total liabilities & net position	\$ 502,608	\$ 502,608	\$ 596,142

NORTH LOGAN CITY
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds

For the year ended June 30, 2016

	Storm Water	Total Nonmajor Proprietary	
		2016	2015
OPERATING REVENUES			
Charges for services	\$ 203,790	\$ 203,790	\$ 193,271
Total operating revenues	203,790	203,790	193,271
OPERATING EXPENSES			
Wages and benefits	55,657	55,657	34,449
Professional fees	4,500	4,500	800
Repairs and maintenance	146,322	146,322	57,367
Other	18,522	18,522	19,776
Facilities	7,374	7,374	7,645
Depreciation	23,889	23,889	28,544
Total operating expenses	256,264	256,264	148,581
Operating income (loss)	(52,474)	(52,474)	44,690
NON-OPERATING EXPENSES			
Interest income	1,029	1,029	893
Interest expense	(6,892)	(6,892)	(4,055)
Transfers	(4,000)	(4,000)	(4,000)
Total non-operating expenses	(9,863)	(9,863)	(7,162)
Change in net position	(62,337)	(62,337)	37,528
Net position-beginning	429,416	429,416	391,888
Net position-ending	\$ 367,079	\$ 367,079	\$ 429,416

NORTH LOGAN CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds

For the year ended June 30, 2016

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 202,226	\$ 202,226	\$ 192,457
Payments to suppliers	(162,911)	(162,911)	(83,818)
Payments to employees	(55,657)	(55,657)	(34,449)
Net cash provided (used) by operating activities:	(16,342)	(16,342)	74,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(60,533)	(60,533)	-
Interest paid on capital debt	(6,892)	(6,892)	(4,055)
Purchases of capital assets	-	-	(13,312)
Net cash used by capital and related financing activities	(67,425)	(67,425)	(17,367)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,029	1,029	893
Net cash provided by investing activities	1,029	1,029	893
Net increase (decrease) in cash and cash equivalents	(82,738)	(82,738)	57,716
Cash and equivalents at beginning of year	329,746	329,746	272,030
Cash and equivalents at end of year	\$ 247,008	\$ 247,008	\$ 329,746
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (52,474)	\$ (52,474)	\$ 44,690
Adjustments to reconcile net income from operations to net cash provided by operating:			
Depreciation	23,889	23,889	28,544
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	(1,564)	(1,564)	(814)
Decrease (increase) in deferred outflows	(11,529)	(11,529)	-
Increase (decrease) in accruals	26,325	26,325	5,770
Increase (decrease) in deferred inflows	3,011	3,011	-
Total adjustments	36,132	36,132	29,500
Net cash provided (used) by operating activities:	\$ (16,342)	\$ (16,342)	\$ 74,190

Non cash transactions:

The City purchased a street sweeper incurring a capital lease payable of \$157,725 in 2015.

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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, 2016, 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 18, 2016.

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.

Very truly yours,

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

Allred Jackson

North Logan, UT
November 18, 2016



**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, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Utah Retirement System
- Restricted Taxes
- Open and Public Meetings
- Treasurer's Bond
- Impact Fees

The City did not have any state funding classified as a major program during the year ended June 30, 2016.

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, 2016.

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 2016-1 through 2016-3.

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.

Very truly yours,

A handwritten signature in black ink that reads "Allred Jackson". The signature is written in a cursive, flowing style.

Allred Jackson
North Logan, UT
November 18, 2016

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

NORTH LOGAN CITY
Schedule of Findings and Recommendations

For the year ended June 30, 2016

CURRENT YEAR FINDINGS

2016-1: Deficit Fund Balance (State compliance)

Description: The Library, General and Sewer funds ended the fiscal year with a deficit unreserved/unrestricted fund 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 for the General or Sewer funds.

Recommendation: We recommend that the City revise the General and Sewer fund budgets and establish a plan to retire the deficit fund balance.

Management response: We will revise the General and sewer fund budgets and establish a plan to retire the deficit fund balance.

2016-2: Treasurer's Bond (State compliance)

Description: The City is required to obtain a Treasurer's Bond based on the amount of the gross prior year budgeted revenues. The amount of the Treasurer's Bond was not high enough to fill that requirement.

Recommendation: We recommend that the City increase the amount of the Treasurer's Bond and analyze the amount on an annual basis.

Management response: We will contact our Insurance Broker and increase the amount of the Treasurer's Bond and analyze the amount on an annual basis.

2016-3: Open and Public Meetings (State compliance)

Description: The City is required to post city council minutes 3 days after approval. The City was uploading the minutes, but not publishing them for public viewing.

Recommendation: We recommend that the City post minutes within the state requirement.

Management response: We will post and confirm the posting of City minutes on the Utah Public notice website within the state requirement.

NORTH LOGAN CITY
Schedule of Findings and Recommendations

Continued

PRIOR 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.

Status: The City was compliant with the Library fund for 2016, but had a related finding with the General and Sewer funds.

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.

Status: No items were noted out of compliance during the current year testing.