



**Financial Statements
For the Year Ended
June 30, 2017**

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NORTH LOGAN CITY
Table of Contents

INTRODUCTORY SECTION:

Letter of transmittal..... 3

FINANCIAL SECTION:

Independent Auditor's Report 7

Management's Discussion and Analysis..... 11

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position..... 17

Statement of Activities 18

Fund Financial Statements:

Balance Sheet- Governmental Funds 19

Statement of Revenues, Expenditures, and Changes in
Fund Balances- Governmental Funds..... 18

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities 19

Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual - General Fund 22

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual - Library and RDA Funds 24

Statement of Net Position- Proprietary Funds 25

Statement of Revenues, Expenses, and Changes in Fund Net
Position - Proprietary Funds 26

Statement of Cash Flows - Proprietary Funds 27

Notes to Financial Statements..... 29

NORTH LOGAN CITY
Table of Contents

Continued

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of the Proportionate Share of the Net Pension Liability.....	57
Schedule of Contributions.....	58
Notes to Required Supplementary Information	59

SUPPLEMENTAL INFORMATION:

Combining Statement of Net Position – Nonmajor Proprietary Funds.....	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position – Nonmajor Proprietary Funds	64
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	65
Report on Compliance and Internal Control	67
State Legal Compliance Report	69

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Schedule of Findings and Recommendations, Current Year	75
Schedule of Findings and Recommendations, Prior Year	79

INTRODUCTORY SECTION

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JOHN C. BAILEY
MAYOR



ALAN LUCE
CITY ADMINISTRATOR

2076 NORTH 1200 EAST
NORTH LOGAN, UTAH 84341
(435) 752-1310

December 28, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section in this report.

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

Respectfully submitted,

Mayor Lloyd Berentzen
North Logan City

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Logan City, Utah (the City), as of and for the year ended June 30, 2017, 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, 2017, 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 December 28, 2017, 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, flowing style.

Allred Jackson

North Logan, UT
December 28, 2017

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NORTH LOGAN CITY Management's Discussion and Analysis

For the Year Ended June 30, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

- The total net position of North Logan City increased five percent to \$24,165,995.
- The total net position of \$24,165,995 was made up of \$22,439,691 in capital assets net of related debt and \$1,163,652 of restricted net position and \$562,652 of unrestricted net position.
- In the General Fund, revenues exceeded expenditures by \$295,393 before other financing sources and uses.
- Total long-term debt of the City was decreased by \$491,160.
- Total net position of business-type activities increased by \$897,729.

REPORTING THE CITY AS A WHOLE

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

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

- The statement of net position presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

NORTH LOGAN CITY

Management's Discussion and Analysis

Continued

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 \$24,165,995.

The greatest portion of North Logan City's net position (93%) 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	
	2017	2016	2017	2016
Current and other assets	\$ 2,441,788	\$ 2,162,375	\$ 957,618	\$ 734,027
Non current assets	845,195	637,243	321,717	387,204
Capital assets	13,051,239	13,274,617	10,469,499	9,970,288
Deferred outflow of resources	448,428	466,916	82,657	116,220
Total assets and deferred outflows	16,786,650	16,541,151	11,831,491	11,207,739
Long-term debt outstanding	497,463	736,559	580,563	832,627
Other liabilities	1,382,844	1,639,840	399,794	442,732
Deferred inflow of resources	1,541,853	1,145,567	49,629	28,604
Total liabilities and deferred inflows	3,422,160	3,521,966	1,029,986	1,303,963
Net position				
Net investment in capital assets	12,553,776	12,538,058	9,885,915	9,130,522
Restricted	841,935	628,750	321,717	387,204
Unrestricted	(31,221)	(147,623)	593,873	386,050
Total net position	\$ 13,364,490	\$ 13,019,185	\$ 10,801,505	\$ 9,903,776

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Revenues:				
Program revenues:				
Charges for services	\$ 1,621,968	\$ 1,616,541	\$ 2,594,665	\$ 2,486,770
Dedicated property tax	672,472	681,213	32,911	32,911
Operating grants & contributions	727,171	345,862	-	-
Capital grants & contributions	510,963	645,793	630,372	268,083
General revenues:				
Property taxes	726,446	669,297	-	-
Other taxes	3,206,051	2,946,333	-	-
Investment income	17,992	8,441	8,714	5,618
Other revenues	47,390	(1,107,110)	-	-
Total revenues	7,530,453	5,806,370	3,266,662	2,793,382
Expenses:				
General government	1,195,571	843,006	-	-
Public Safety	1,739,692	1,786,149	-	-
Streets	1,705,397	1,572,809	-	-
Public works	28,355	29,362	-	-
Sanitation	809,712	845,039	-	-
Parks & recreation	1,274,275	1,403,291	-	-
Community development	325,181	231,288	-	-
Water	-	-	992,385	1,134,517
Sewer	-	-	1,358,292	1,207,742
Storm water	-	-	125,221	263,156
Total expenses	7,078,183	6,710,944	2,475,898	2,605,415
Transfers in (out)	(106,965)	(180,000)	106,965	180,000
Increase (decrease) in net position	345,305	(1,084,574)	897,729	367,967
Net position, beginning, restated	13,019,185	14,103,759	9,903,776	9,535,809
Net position, ending	\$ 13,364,490	\$ 13,019,185	\$ 10,801,505	\$ 9,903,776

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, 2017, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,509,940. This represents an increase of \$346,761 (30%) 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 62 percent of total general fund revenues. The largest element was sales tax, which represented 66 percent of total tax revenues and 41 percent of total General Fund revenues. This compares with 40 percent in the prior fiscal year ended June 30, 2016.

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 addition of capital assets through contribution and acquisition of \$648,990 and a decrease in long-term debt of \$239,096 due to bond and capital lease principal payments.

Significant changes in business-type activities included a decrease in long-term debt of \$252,064 due to bond and capital lease principal payments and addition to capital assets through contributions and acquisition of \$881,271.

GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was \$6,293,601, which increased 8 percent to \$6,824,117 due to increased costs associated with general government, streets and parks.

The Library Fund original budget for expenditures was \$658,063, which was increased 7 percent to \$705,304 to cover general operations.

The RDA Fund original budget for expenditures was \$196,762, which decreased 25 percent to \$146,751 to cover expenditures.

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, 2017, totaled \$23,520,738. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City's investment in fixed assets increased by 12 percent- due to capital asset additions being greater than current year depreciation.

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

- \$310,392 for sewer system improvements.
- \$374,460 for water improvements.
- \$183,419 for storm water improvements.
- \$363,915 for road improvements.
- \$124,886 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	8,467,549	1,342,361
Systems	16,669,014	16,700,671
Less: Accumulated depreciation	(15,859,076)	(8,047,942)
Total	<u>\$ 13,051,239</u>	<u>\$ 10,469,499</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, 2017, the City had total bonded debt outstanding of \$483,371. Of this amount \$111,149 is considered to be general obligation debt and backed by the full faith and credit of the City and \$372,222 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations were \$192,280 and a note payable to a developer of \$402,375.

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ -	\$ 111,149
Capital lease and notes payable	497,463	97,192
Revenue bonds	-	372,222
Total outstanding debt	<u>\$ 497,463</u>	<u>\$ 580,563</u>

The City's debt decreased by \$491,160 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, 2017

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2017	2016
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 607,739	\$ 718,825	\$ 1,326,564	\$ 1,164,405
Account receivable, net	1,702,421	238,793	1,941,214	1,649,074
Prepaid expense	131,628	-	131,628	82,923
Total current assets	2,441,788	957,618	3,399,406	2,896,402
Noncurrent assets:				
Restricted cash	841,935	321,717	1,163,652	1,015,954
Capital assets:				
Land and water shares	3,773,752	474,409	4,248,161	4,248,161
Distribution and collection systems	16,669,014	16,700,671	33,369,685	32,137,499
Buildings and equipment	8,467,549	1,342,361	9,809,910	9,577,247
Less: Accumulated depreciation	(15,859,076)	(8,047,942)	(23,907,018)	(22,718,002)
Total capital assets	13,051,239	10,469,499	23,520,738	23,244,905
Pension asset	3,260	-	3,260	8,493
Total noncurrent assets	13,896,434	10,791,216	24,687,650	24,269,352
Total assets	16,338,222	11,748,834	28,087,056	27,165,754
Deferred outflow of resources - pensions	448,428	79,135	527,563	576,440
Deferred outflow of resources - bond premiums	-	3,522	3,522	6,696
Total assets and deferred outflows	\$ 16,786,650	\$ 11,831,491	\$ 28,618,141	\$ 27,748,890
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable	\$ 445,126	\$ 215,448	\$ 660,574	\$ 650,412
Accrued expense	34,695	19,427	54,122	105,653
Deposits	33,337	-	33,337	31,464
Accrued interest payable	-	3,021	3,021	7,139
Bonds payable within one year	219,687	287,564	507,251	493,825
Total current liabilities	732,845	525,460	1,258,305	1,288,493
Noncurrent liabilities:				
Net pension liability	763,226	134,686	897,912	1,122,705
Bonds and leases payable	277,776	292,999	570,775	1,075,361
Refunding bond premium	-	2,278	2,278	4,555
Accrued compensated absences	106,460	24,934	131,394	160,644
Total noncurrent liabilities	1,147,462	454,897	1,602,359	2,363,265
Deferred Inflows of Resources - pensions	281,228	49,629	330,857	150,548
Deferred Inflows of Resources - property taxes	1,260,625	-	1,260,625	1,023,623
Total liabilities & deferred inflows of resources	3,422,160	1,029,986	4,452,146	4,825,929
NET POSITION				
Net investment in capital assets	12,553,776	9,885,915	22,439,691	21,668,580
Restricted for:				
Debt service	-	292,929	292,929	275,186
Impact fees/park projects	795,099	28,788	823,887	740,768
Grants and contributions	46,836	-	46,836	-
Unrestricted	(31,221)	593,873	562,652	238,427
Total net position	\$ 13,364,490	\$ 10,801,505	\$ 24,165,995	\$ 22,922,961

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

NORTH LOGAN CITY
Statement of Activities

For the Year Ended June 30, 2017

	Program Revenues								
	Charges for	Dedicated	Operating	Capital Grants	Net	Business	Memorandum Totals		
Expenses	Services	Property Tax	Grants & Contributions	Grants & Contributions	Governmental Activities	Type Activities	2017	2016	
Governmental activities:									
General government	\$ 1,195,571	\$ 377,036	\$ -	\$ -	\$ -	\$ (818,535)	\$ -	\$ (818,535)	\$ (414,470)
Public Safety	1,739,692	304,281	-	6,197	48,214	(1,381,000)	-	(1,381,000)	(1,400,537)
Streets	1,705,397	42,188	-	442,112	325,032	(896,065)	-	(896,065)	(1,140,714)
Public works	28,355	-	-	-	-	(28,355)	-	(28,355)	(29,362)
Sanitation	809,712	849,268	-	-	-	39,556	-	39,556	(32,380)
Parks and recreation	1,274,275	49,195	453,823	278,862	137,717	(354,678)	-	(354,678)	(360,438)
Community development	325,181	-	218,649	-	-	(106,532)	-	(106,532)	(43,634)
Total governmental activities	7,078,183	1,621,968	672,472	727,171	510,963	(3,545,609)	-	(3,545,609)	(3,421,535)
Business-type activities:									
Water	992,385	1,187,923	-	-	320,062	-	515,600	515,600	154,659
Sewer	1,358,292	1,198,105	32,911	-	189,941	-	62,665	62,665	87,056
Storm water	125,221	208,637	-	-	120,369	-	203,785	203,785	(59,366)
Total business-type activities	2,475,898	2,594,665	32,911	-	630,372	-	782,050	782,050	182,349
General Revenues:									
Taxes:									
Property taxes levied for general purposes						726,446	-	726,446	669,297
Franchise and other taxes						604,185	-	604,185	594,585
General sales taxes & highway sales taxes						2,601,866	-	2,601,866	2,351,748
Business licenses						45,990	-	45,990	34,824
Gain (loss) on sale of assets						1,400	-	1,400	(1,141,934)
Investment income						17,992	8,714	26,706	14,059
Transfers in (out)						(106,965)	106,965	-	-
Total general revenues						3,890,914	115,679	4,006,593	2,522,579
Change in net position						345,305	897,729	1,243,034	(716,607)
Net position - beginning						13,019,185	9,903,776	22,922,961	23,639,568
Net position - ending						\$ 13,364,490	\$ 10,801,505	\$ 24,165,995	\$ 22,922,961

NORTH LOGAN CITY
Balance Sheet
Governmental Funds

As of June 30, 2017

	General	Library	Capital Projects	RDA	Governmental Funds (memo)	
					2017	2016
ASSETS						
Cash & cash equivalents	\$ 21,219	\$ -	\$ 286,917	\$ 299,603	\$ 607,739	\$ 672,067
Accounts receivable, net	1,210,194	416,334	-	75,893	1,702,421	1,407,385
Prepaid expense	131,628	-	-	-	131,628	82,923
Restricted cash	840,860	-	1,075	-	841,935	628,750
Total assets	<u>\$2,203,901</u>	<u>\$416,334</u>	<u>\$287,992</u>	<u>\$375,496</u>	<u>\$3,283,723</u>	<u>\$2,791,125</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE						
Liabilities:						
Interfund payable/receivable	\$ 44,425	\$ 20,340	\$ (64,765)	\$ -	\$ -	\$ -
Accounts payable	157,257	4,554	22,450	260,865	445,126	467,206
Accrued expenses	25,676	9,019	-	-	34,695	105,653
Deposits	33,337	-	-	-	33,337	31,464
Total liabilities	<u>260,695</u>	<u>33,913</u>	<u>(42,315)</u>	<u>260,865</u>	<u>513,158</u>	<u>604,323</u>
Total deferred inflows of resources	<u>768,398</u>	<u>416,334</u>	<u>-</u>	<u>75,893</u>	<u>1,260,625</u>	<u>1,023,623</u>
Total liabilities and deferred inflows	<u>1,029,093</u>	<u>450,247</u>	<u>(42,315)</u>	<u>336,758</u>	<u>1,773,783</u>	<u>1,627,946</u>
Fund Balance:						
Non spendable	131,628	-	-	-	131,628	82,923
Restricted for:						
Park impact/park projects	422,529	-	1,075	-	423,604	385,264
Road impact	371,495	-	-	-	371,495	243,486
Community center	46,836	-	-	-	46,836	-
Assigned for:						
Little League	-	-	-	-	-	3,571
Cemetery	445,259	-	-	-	445,259	423,804
Junior Jazz	4,406	-	-	-	4,406	9,078
Sports	-	-	-	-	-	742
Wildland fires	63,837	-	-	-	63,837	26,358
Elk Ridge Park	5,345	-	-	-	5,345	5,174
Special revenue funds	-	(33,913)	-	38,738	4,825	(32,634)
Capital projects funds	-	-	329,232	-	329,232	167,406
Unassigned for: General Fund	(316,527)	-	-	-	(316,527)	(151,993)
Total fund balances	<u>1,174,808</u>	<u>(33,913)</u>	<u>330,307</u>	<u>38,738</u>	<u>1,509,940</u>	<u>1,163,179</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,203,901</u>	<u>\$416,334</u>	<u>\$287,992</u>	<u>\$375,496</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 \$28,910,315 and \$28,326,737, respectively and the accumulated depreciation is \$15,859,076 and \$15,052,120, respectively.					13,051,239	13,274,617
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.					(603,923)	(862,685)
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the funds					(592,766)	(555,926)
Total net position-governmental activities					<u>\$13,364,490</u>	<u>\$13,019,185</u>

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

For the Year Ended June 30, 2017

	General	Library	Capital Projects	RDA	Memorandum Totals Governmental Funds	
					2017	2016
Revenues:						
Taxes	\$ 3,932,497	\$ 453,823	\$ -	\$ 218,649	\$ 4,604,969	\$ 4,296,843
Licenses and permits	304,282	-	-	-	304,282	349,999
Intergovernmental revenue	490,544	6,223	41,000	-	537,767	408,523
Charges for services	1,355,335	-	-	-	1,355,335	1,328,421
Fines	109,140	7,696	-	-	116,836	139,198
Other	130,004	278,648	959	1,293	410,904	225,320
Total revenues	6,321,802	746,390	41,959	219,942	7,330,093	6,748,304
Expenditures:						
Current operations:						
General government	1,203,855	-	-	-	1,203,855	1,025,356
Public safety	1,731,921	-	-	-	1,731,921	1,741,105
Streets	1,491,617	-	-	-	1,491,617	1,367,648
Public works	28,355	-	-	-	28,355	29,362
Sanitation	809,712	-	-	-	809,712	845,039
Parks and recreation	616,244	648,432	22,450	-	1,287,126	1,314,890
Community development	144,705	-	-	180,476	325,181	231,288
Debt service:						
Principal	-	-	-	-	-	137,500
Interest	-	-	-	-	-	4,799
Total expenditures	6,026,409	648,432	22,450	180,476	6,877,767	6,696,987
Excess (deficiency) of revenues over expenditures	295,393	97,958	19,509	39,466	452,326	51,317
Other financing sources (uses):						
Sale of capital assets	1,400	-	-	-	1,400	286,235
Capital contributions	-	-	-	-	-	200,000
Transfers in (out)	(127,000)	-	120,000	(99,965)	(106,965)	(180,000)
Total other financing sources	(125,600)	-	120,000	(99,965)	(105,565)	306,235
Net change in fund balances	169,793	97,958	139,509	(60,499)	346,761	357,552
Fund balances, beginning of year	1,005,015	(131,871)	190,798	99,237	1,163,179	805,627
Fund balances, end of year	\$ 1,174,808	\$ (33,913)	\$ 330,307	\$ 38,738	\$ 1,509,940	\$ 1,163,179

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, 2017

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

Net change in fund balances-total governmental funds \$ 346,761

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.

Contributed capital	\$ 198,960	
Purchase of fixed assets	450,030	
Depreciation expense	<u>(872,368)</u>	(223,378)
Pension (expense) benefit		(36,840)

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	239,096	
Change in accrued compensated absences	<u>19,666</u>	258,762
Change in net position of governmental activities		<u><u>\$ (1,456)</u></u>

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

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 629,132	\$ 652,551	\$ 657,368	\$ 4,817
Prior years' taxes-delinquent	55,284	22,000	21,662	(338)
General sales & use taxes	2,674,510	2,656,359	2,601,866	(54,493)
Franchise taxes	44,231	25,357	25,357	-
Mass transit tax	545,700	530,000	578,828	48,828
Fee-in-lieu of property taxes	58,310	55,580	47,416	(8,164)
Total taxes	4,007,167	3,941,847	3,932,497	(9,350)
Licenses & permits:				
Business licenses & permits	40,000	40,000	45,990	5,990
Building structures & equipment	326,400	317,068	253,551	(63,517)
Animal licenses	3,500	4,000	4,741	741
Total licenses & permits	369,900	361,068	304,282	(56,786)
Intergovernmental revenues:				
Public safety	17,134	45,750	31,330	(14,420)
State and other governmental grants	152,200	592,302	17,102	(575,200)
Class "C" road fund allotment	387,600	318,554	442,112	123,558
Total intergovernmental revenues	556,934	956,606	490,544	(466,062)
Charges for services:				
Zoning & subdivision fees	241,000	703,780	298,273	(405,507)
Sale of maps & publications	200	200	-	(200)
Public safety	143,125	174,528	172,481	(2,047)
Refuse collection charges	806,951	820,785	849,268	28,483
Cemetery fees	4,000	13,067	17,123	4,056
Parks and public property	26,100	15,530	18,190	2,660
Total charges for services	1,221,376	1,727,890	1,355,335	(372,555)
Fines & forfeitures:				
Fines	137,000	101,500	108,809	7,309
Forfeitures	2,000	2,000	331	(1,669)
Total fines & forfeitures	139,000	103,500	109,140	5,640
Miscellaneous revenue:				
Interest earnings	2,090	13,060	15,917	2,857
Rents & miscellaneous	15,900	99,369	114,087	14,718
Sale of materials & supplies	10,000	12,000	1,400	(10,600)
Total Miscellaneous revenue	27,990	124,429	131,404	6,975
Total Revenues	\$6,322,367	\$7,215,340	\$6,323,202	\$ (892,138)

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

Continued

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
GENERAL FUND EXPENDITURES				
General government:				
Legislative	\$ 88,636	\$ 120,905	\$ 120,320	\$ 585
Judicial	195,557	201,500	192,168	9,332
Executive	172,655	201,633	200,622	1,011
Administrative	143,649	164,322	154,619	9,703
Non-departmental	309,417	404,366	528,342	(123,976)
Planning & zoning	10,587	11,587	7,784	3,803
Total general government	920,501	1,104,313	1,203,855	(99,542)
Public safety:				
Police department	1,041,220	996,467	1,050,289	(53,822)
Fire department	498,119	505,413	474,403	31,010
Protective inspection	235,460	212,060	203,398	8,662
Animal control	10,502	13,652	3,831	9,821
Total public safety	1,785,301	1,727,592	1,731,921	(4,329)
Streets & public improvements:				
Streets	1,494,022	1,761,551	1,491,617	269,934
Public works	43,568	(21,890)	28,355	(50,245)
Sanitation	802,890	716,000	809,712	(93,712)
Total streets & improvements	2,340,480	2,455,661	2,329,684	125,977
Parks, recreation & public property:				
Park & park areas	821,021	1,074,197	435,673	638,524
Recreation & culture	123,212	145,711	166,037	(20,326)
Cemetery	36,126	39,846	14,534	25,312
Total parks, recreation & public property	980,359	1,259,754	616,244	643,510
Community & economic development:				
Community planning	139,960	149,797	144,705	5,092
Transfers & other uses:				
Transfer to other funds	127,000	127,000	127,000	-
Total transfers & other uses	127,000	127,000	127,000	-
TOTAL EXPENDITURES	6,293,601	6,824,117	6,153,409	670,708
Net change in fund balance	28,766	391,223	169,793	(221,430)
Fund balance at beginning of year	1,005,015	1,005,015	1,005,015	-
Fund balance at end of year	<u>\$1,033,781</u>	<u>\$1,396,238</u>	<u>\$1,174,808</u>	<u>\$ (221,430)</u>

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, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
LIBRARY FUND REVENUES				
Dedicated property taxes	\$411,109	\$ 439,087	\$ 453,823	\$ 14,736
Intergovernmental revenue	5,200	6,221	6,223	2
Fines	10,000	10,000	7,696	(2,304)
Other	280,965	306,965	278,648	(28,317)
Total revenues	707,274	762,273	746,390	(15,883)
LIBRARY FUND EXPENDITURES				
General operations	658,063	705,304	648,432	56,872
Total expenditures	658,063	705,304	648,432	56,872
Excess (deficiency) of revenues over expenditures	49,211	56,969	97,958	(40,989)
Other financing sources (uses):				
Proceeds from sale of asset	-	-	-	-
Net change in fund balance	49,211	56,969	97,958	(40,989)
Fund balance at beginning of year	(131,871)	(131,871)	(131,871)	-
Fund balance at end of year	\$ (82,660)	\$ (74,902)	\$ (33,913)	\$ (40,989)
RDA FUND REVENUES				
Dedicated property taxes	\$260,000	\$ 218,450	\$ 218,649	\$ 199
Other	1,693	1,175	1,293	118
Total revenues	261,693	219,625	219,942	317
RDA FUND EXPENDITURES				
Community development	196,762	146,741	180,476	(33,735)
Excess (deficiency) of revenues over expenditures	64,931	72,884	39,466	34,052
Transfer to other funds	-	-	(99,965)	99,965
Net change in fund balance	64,931	72,884	(60,499)	134,017
Fund balance at beginning of year	99,237	99,237	99,237	-
Fund balance at end of year	\$164,168	\$ 172,121	\$ 38,738	\$ 134,017

NORTH LOGAN CITY
Statement of Net Position
Proprietary Funds

As of June 30, 2017

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2017	2016
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 441,116	\$ -	\$ 277,709	\$ 718,825	\$ 492,338
Accounts receivable, net	118,413	101,286	19,094	238,793	241,689
Total current assets	559,529	101,286	296,803	957,618	734,027
Noncurrent assets:					
Restricted cash	137,627	184,090	-	321,717	387,204
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	10,828,663	5,660,270	211,738	16,700,671	15,832,400
Buildings and equipment	751,491	358,403	232,467	1,342,361	1,329,361
Less accumulated depreciation	(4,834,176)	(3,153,099)	(60,667)	(8,047,942)	(7,665,882)
Total noncurrent assets	7,357,164	3,050,514	383,538	10,791,216	10,357,492
Deferred outflow of resources- pensions	58,032	15,827	5,276	79,135	109,524
Deferred outflow of resources- refunding	3,522	-	-	3,522	6,696
Total assets and deferred outflow of resources	7,978,247	3,167,627	685,617	11,831,491	11,207,739
LIABILITIES					
Current liabilities:					
Interfund payable/receivable	(384,910)	384,910	-	-	-
Accounts payable	101,867	112,120	1,461	215,448	168,418
Accrued payables	25,152	13,110	6,099	44,361	49,306
Accrued interest payable	225	2,796	-	3,021	7,139
Bonds payable - due within a year	180,000	76,075	31,489	287,564	247,344
Total current liabilities	(77,666)	589,011	39,049	550,394	472,207
Noncurrent liabilities:					
Net pension liability	98,770	26,937	8,979	134,686	213,314
Bonds payable - due in more than one year	-	227,296	65,703	292,999	585,283
Bond premium on refunding	2,278	-	-	2,278	4,555
Total noncurrent liabilities	101,048	254,233	74,682	429,963	803,152
Total liabilities	23,382	843,244	113,731	980,357	1,275,359
Deferred inflow of resources- pensions	36,394	9,926	3,309	49,629	28,604
Total liabilities and deferred inflows	59,776	853,170	117,040	1,029,986	1,303,963
NET POSITION					
Net investment in capital assets	7,039,312	2,560,257	286,346	9,885,915	9,130,522
Restricted for debt service	137,627	155,302	-	292,929	275,186
Restricted for impact fees	-	28,788	-	28,788	112,018
Unrestricted	741,532	(429,890)	282,231	593,873	386,050
Total net position	\$7,918,471	\$2,314,457	\$ 568,577	\$10,801,505	\$9,903,776

NORTH LOGAN CITY**Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Funds****For the Year Ended June 30, 2017**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2017	2016
OPERATING REVENUES:					
Charges for services	\$ 1,183,740	\$ 1,198,105	\$ 208,637	\$ 2,590,482	\$ 2,483,163
Impact fees	181,219	49,006	-	230,225	268,083
Other	4,183	-	-	4,183	3,607
Total operating revenues	1,369,142	1,247,111	208,637	2,824,890	2,754,853
OPERATING EXPENSES					
Wages and benefits	225,671	63,957	24,952	314,580	543,572
Professional fees	11,587	-	3,481	15,068	28,769
Disposal and treatment	-	1,033,649	-	1,033,649	802,313
Utilities	59,743	-	-	59,743	104,116
Repairs and maintenance	260,992	14,886	48,160	324,038	351,921
Other	166,012	103,164	17,892	287,068	255,405
Facilities	14,729	8,317	3,609	26,655	92,173
Depreciation	236,379	121,162	24,519	382,060	374,615
Total operating expenses	975,113	1,345,135	122,613	2,442,861	2,552,884
Operating income (loss)	394,029	(98,024)	86,024	382,029	201,969
NON-OPERATING REVENUES (EXPENSES)					
Interest income	6,568	433	1,713	8,714	5,618
Miscellaneous expense	(7,241)	-	-	(7,241)	(10,496)
Interest expense	(10,031)	(13,157)	(2,608)	(25,796)	(42,035)
Transfers in (out)	42,499	68,466	(4,000)	106,965	180,000
Property tax	-	32,911	-	32,911	32,911
Contributed capital	138,843	140,935	120,369	400,147	-
Total non-operating revenue (expense)	170,638	229,588	115,474	515,700	165,998
Change in net position	564,667	131,564	201,498	897,729	367,967
Total net position - beginning	7,353,804	2,182,893	367,079	9,903,776	9,535,809
Total net position -ending	\$ 7,918,471	\$ 2,314,457	\$ 568,577	\$ 10,801,505	\$ 9,903,776

NORTH LOGAN CITY
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2017

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,352,141	\$ 1,266,669	\$ 208,976	\$ 2,827,786	\$ 2,700,049
Payments to suppliers	(500,643)	(1,044,826)	(89,378)	(1,634,847)	(1,343,924)
Payments to employees	(225,671)	(63,957)	(24,952)	(314,580)	(543,572)
Net cash provided by operating activities	625,827	157,886	94,646	878,359	812,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(175,000)	(77,064)	-	(252,064)	(299,963)
Interest paid on capital debt	(10,031)	(13,157)	(2,608)	(25,796)	(42,035)
Purchases of capital assets	(235,617)	(182,457)	(63,050)	(481,124)	(651,687)
Net cash used by capital and related financing activities	(420,648)	(239,767)	(65,658)	(726,073)	(960,774)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	6,568	433	1,713	8,714	5,618
Net cash provided by investing activities	6,568	433	1,713	8,714	5,618
Net increase (decrease) in cash and cash equivalents	211,747	(81,448)	30,701	161,000	(142,603)
Cash and equivalents at beginning of year	366,996	265,538	247,008	879,542	1,022,145
Cash and equivalents at end of year	<u>\$ 578,743</u>	<u>\$ 184,090</u>	<u>\$ 277,709</u>	<u>\$ 1,040,542</u>	<u>\$ 879,542</u>
Presented in financial statements:					
Cash & cash equivalents	\$ 441,116	\$ -	\$ 277,709	1,023,460	\$ 492,338
Restricted cash	137,627	184,090	-	321,717	387,204
Total cash and cash equivalents	<u>\$ 578,743</u>	<u>\$ 184,090</u>	<u>\$ 277,709</u>	<u>\$ 1,040,542</u>	<u>\$ 879,542</u>

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

NORTH LOGAN CITY
Statement of Cash Flows
Proprietary Funds

Continued

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2017	2016
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 394,029	\$ (98,024)	\$ 86,024	\$ 382,029	\$ 201,969
Adjustments to reconcile net income from to net cash provided by operating activities:					
Depreciation	236,379	121,162	24,519	382,060	374,615
Loss on sale of assets	-	-	-	-	25,078
Changes in assets & liabilities:					
Decrease (increase) in receivables	(17,001)	19,558	339	2,896	(54,804)
Decrease (increase) in interfund receivables	(81,007)	81,007	-	-	-
Decrease (increase) in deferred outflows	20,079	7,231	6,253	33,563	(106,351)
Increase (decrease) in accruals	21,267	(45,418)	(18,787)	(42,938)	173,938
Increase (decrease) in deferred inflows	16,823	3,904	298	21,025	28,604
Miscellaneous expense/transfers	35,258	68,466	(4,000)	99,724	169,504
Total adjustments	231,798	255,910	8,622	496,330	610,584
Net cash provided (used) by operating activities	<u>\$ 625,827</u>	<u>\$ 157,886</u>	<u>\$ 94,646</u>	<u>\$ 878,359</u>	<u>\$ 812,553</u>
Non cash transactions:					
Capital contributions	<u>\$ 138,843</u>	<u>\$ 140,935</u>	<u>\$ 120,369</u>	<u>\$ 400,147</u>	<u>\$ -</u>

NORTH LOGAN CITY
Notes to the Financial Statements

For the Year Ended June 30, 2017

1. STRUCTURE

North Logan City (the “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 City’s justice court is located in Hyde Park City. The same judge presides over both Hyde Park and North Logan courts and bailiffs are provided by the North Park Police Agency. Bailiffs are paid by Hyde Park City and the City is billed monthly for its portion. Police services for the City are provided by North Park Police Agency, with North Logan and Hyde Park each 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 on a monthly basis for this service along with the county dispatch fee, which North Logan then bills to its utility customers. The City contracts with Logan City for its sewage treatment and is billed monthly based on total flow. The City charges its utility customers for these services and pretreatment charges are also 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 seek outside 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 provided \$261,900 in library funding for the year ended June 30, 2017.

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 performed by that facilities department and is allocated to the various departments on a monthly basis determined by the square footage occupied. Parks maintenance, storm drain cleaning, and water treatment plant maintenance are also performed 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 for the City.

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

The city administrative 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

“Measurable” 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.

NORTH LOGAN CITY

Notes to the Financial Statements

Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fund Accounting/Basis of Accounting – *continued*

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.

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. Of the unrestricted resources, committed resources will be used first, followed by assigned resources, and then unassigned resources.

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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fund Accounting/Basis of Accounting – *continued*

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.

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	\$ 28,910,315
Accumulated depreciation	(15,859,076)
Total difference	<u>\$ 13,051,239</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*

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position – *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	\$ (497,463)
Compensated absences	(106,460)
	<u>\$ (603,923)</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	\$ 3,260
Net pension liability	(763,226)
Deferred outflow of resources - pension	448,428
Deferred inflow of resources - pension	(281,228)
	<u>\$ (592,766)</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	\$ 450,030
Contributed capital	198,960
Depreciation expense	(872,368)
Net difference as reported	<u>\$ (223,378)</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	\$ 165,615
Repayment of capital lease principal	73,481
Change in accrued compensated absences	19,666
	<u>\$ 258,762</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, 2016.

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.

NORTH LOGAN CITY

Notes to the Financial Statements

Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Pensions

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

3. CASH & INVESTMENTS

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, 2017, \$0 of the local government's bank balances of \$225,426 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*

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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

3. CASH & INVESTMENTS – *continued*

Investments – *continued*

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.

At June 30, 2017, the City had the following recurring fair value measurements.

		Fair Value Measurements Using		
Investments by fair value level	6/30/2017	Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers'	\$2,462,442	\$ -	\$2,462,442	\$ -
Total investments measured at fair value	<u>\$2,462,442</u>	<u>\$ -</u>	<u>\$2,462,442</u>	<u>\$ -</u>

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, 2017 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund;

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

3. CASH & INVESTMENTS – *continued*

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, 2017, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	6-10
Debt Securities				
Utah Public Treasurers'	\$2,462,442	\$2,462,442	\$ -	\$ -
Total investments measured at fair value	<u>\$2,462,442</u>	<u>\$2,462,442</u>	<u>\$ -</u>	<u>\$ -</u>

4. ACCOUNTS RECEIVABLE

The City had accounts receivable as of June 30, 2017, as follows:

Property tax	\$ 1,278,984	
Sales tax	175,311	
Sewer	101,286	(net of \$15,287 allowance)
Garbage and Dispatch fee	77,835	(net of \$11,746 allowance)
Class C Road funds	100,655	
Water	118,413	(net of \$17,873 allowance)
Court	14,914	(net of \$92,207 allowance)
Other receivables	5,969	
Energy use tax	48,753	
Storm water	19,094	(net of \$2,882 allowance)
Total	<u>\$ 1,941,214</u>	

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

5. CONTINGENCIES

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 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 also insures against excess losses to preserve the capital base.

Insurance 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.

During the year ended June 30, 2017, management determined that an employee of the City library was using City credit cards for personal use (total questionable costs of approximately \$133,000). As a result of subsequent investigations by the Cache County Attorney's Office, the employee is no longer employed by the City and will be facing criminal charges. Because of the uncertainty of amount and collectability of any recompense, no receivable has been recorded for amounts due from the former employee. Should any amounts be recovered in the future, they will be recognized as other revenue in the periods collected.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT

Long-term debt at June 30, 2017, consisted of the following:

Water Fund:	<u>7/1/16</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/17</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 interest ranging from 2% to 3%	\$355,000	\$ -	\$175,000	<u>\$ 180,000</u>	<u>\$ 180,000</u>
Total Water Fund				<u>\$ 180,000</u>	<u>\$ 180,000</u>
Sewer Fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including interest at 5%	\$243,343	\$ -	\$ 51,121	\$ 192,222	\$ 48,752
GMAC; \$560,000 due in monthly installments of \$32,911 including interest at 5%	137,092	-	25,943	<u>111,149</u>	<u>27,323</u>
Total Sewer Fund				<u>\$ 303,371</u>	<u>\$ 76,075</u>
Storm Water Fund:					
Capital lease; \$34,096 due in annual installments including interest of 2.65%, asset value \$231,714 with accumulated depreciation of \$57,928 and depreciation of \$23,171	\$ 97,192	\$ -	\$ -	<u>\$ 97,192</u>	<u>\$ 31,489</u>
Total Storm Water Fund				<u>\$ 97,192</u>	<u>\$ 31,489</u>
RDA Fund:					
Developer note payable for \$1,000,000 due as available from tax increment subsidies of approximately \$173,000 over 5 years	\$567,990	\$ -	\$165,615	<u>\$ 402,375</u>	<u>\$ 173,000</u>
Total RDA Fund				<u>\$ 402,375</u>	<u>\$ 173,000</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT – *continued*

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 accumulated depreciation of \$124,668 and depreciation of \$27,704

\$ 28,494	\$ -	\$ 28,494	\$ -	\$ -
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Capital lease; \$71,426 due in monthly installments of \$1,296 including interest of 3.39%, asset value \$71,426 with accumulated depreciation of \$35,713 and depreciation of \$14,285

44,252	-	14,270	29,982	14,762
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Capital lease; \$159,696 due in annual installments of \$34,487 including interest of 3.865%, asset value \$159,696 with accumulated depreciation of \$39,924 and depreciation of \$15,970

95,823	-	30,717	65,106	31,925
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Total General Fund

\$ 95,088	\$ 46,687
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Total long-term debt

\$1,078,026	\$ 507,251
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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, 2017, were as follows:

June 30,	Bond Principal	Bond Interest
2018	\$ 507,251	\$ 26,231
2019	390,108	14,352
2020	180,667	6,380
Totals	<u>\$ 1,078,026</u>	<u>\$ 46,963</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:

Defined Benefit Plans

- 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	2.0% per year all years	Up to 4%
		25 years any age*		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Contributory System	Highest 5 years	30 years any age	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
		25 years any age*		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Firefighters System	Highest 3 years	20 years any age	2.5% per year up to 20 years; 2.00% per year over 20 years present	Up to 4%
		10 years age 60		
		4 years age 65		
Tier 2 Public Employees System	Highest 5 years	35 years any age	1.5% per year all years	Up to 2.5%
		20 years age 60*		
		10 years age 62*		
		4 years age 65		

*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	Employer	Employer Rates for 401k plan
Contributory System			
11- Local Governmental Division Tier 1	6.00%	14.46%	N/A
111- Local Governmental Division Tier 2	N/A	14.91%	1.78%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
Contributory:			
77 - Other Division A with 4% COLA	12.29%	24.33%	N/A
122 - Tier 2 DB Hybrid Public Safety	N/A	23.66%	1.33%
Noncontributory			
75 - Other Division A with 4% COLA	N/A	35.71%	N/A
Firefighters System			
31- Other Division A	15.05%	3.89%	N/A
132- Tier 2 DB Hybrid Firefighters	N/A	10.75%	1.33%
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222- Public Safety	N/A	12.99%	12.00%
232- Firefighters	N/A	0.08%	12.00%

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, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 158,154	N/A
Contributory System	15,179	-
Firefighters System	5,161	-
Tier 2 Public Employees System	36,337	-
Total Contributions	<u>\$ 214,831</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, 2017, we reported a net pension asset of \$3,260 and a net pension liability of \$897,912.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2015	Change (Decrease)
Noncontributory System	\$ -	\$ 656,158	0.1021861%	0.1186791%	-0.0164930%
Contributory System	-	117,520	0.3561704%	0.1931606%	0.1630098%
Public Safety System	-	121,591	0.0599182%	0.1760763%	-0.1161581%
Firefighters System	3,114	-	0.3950045%	0.4175805%	-0.0225760%
Tier 2 Public Employees System	-	2,643	0.0236957%	0.0240126%	-0.0003169%
Tier 2 Public Safety and Firefighter System	146	-	0.0168290%	0.0600659%	-0.0432369%
Total Net Pension Asset/Liability	<u>\$ 3,260</u>	<u>\$ 897,912</u>			

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

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

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, we recognized pension expense of \$224,445.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,361	\$ 37,537
Changes in assumptions	127,252	35,793
Net difference between projected and actual earnings on pension plan investments	252,783	72,682
Changes in proportion and differences between contributions and proportionate share of contributions	27,368	184,845
Contributions subsequent to the measurement date	105,799	-
Total	<u>\$ 527,563</u>	<u>\$ 330,857</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – continued

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

\$105,799 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, 2016. 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
2017	\$ 23,809
2018	27,354
2019	49,645
2020	(13,727)
2021	(343)
Thereafter	4,169

Actuarial assumptions – The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35-10.35%, average, including inflation
Investment rate of return	7.20%, 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, 2016, 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:

Expected Return Arithmetic Basis			
Asset class	Target Asset Allocation	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		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20 percent assumed investment rate of return is comprised of an inflation rate of 2.60 percent, a real return of 4.60 percent that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 1,359,129	\$ 656,160	\$ 69,570
Contributory System	282,910	117,520	(21,805)
Public Safety System	252,881	121,591	14,870
Firefighters System	112,610	(3,114)	(97,012)
Tier 2 Public Employees System	17,992	2,643	(9,033)
Tier 2 Public Safety and Firefighter System	1,022	(146)	(1,044)
Total	<u>\$ 2,026,544</u>	<u>\$ 894,654</u>	<u>\$ (44,454)</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

7. PENSION PLANS – *continued*

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

	2017		2016		2015
401(k) Plan					
Employer Contributions	\$ 21,904	\$	39,745	\$	40,742
Employee Contributions	\$ 30,404	\$	30,029	\$	31,457
457 Plan					
Employee Contributions	\$ 660	\$	780	\$	1,791

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, 2017, were as follows:

	7/1/2016	Additions	Deletions	6/30/2017
Land and water shares	\$ 3,773,752	\$ -	\$ -	\$ 3,773,752
Buildings	2,518,557	33,023	-	2,551,580
Library	480,239	-	-	480,239
Fire	1,481,046	49,399	26,000	1,504,445
Streets	1,104,445	77,767	-	1,182,212
Parks	2,306,064	124,886	-	2,430,950
Facilities	112,759	-	-	112,759
Inspection	105,299	-	34,604	70,695
Administrative	39,293	-	-	39,293
Executive	10,576	-	4,808	5,768
Planner	5,930	-	-	5,930
Cemetery	83,678	-	-	83,678
Road system	16,305,099	363,915	-	16,669,014
Total assets	28,326,737	648,990	65,412	28,910,315
Accumulated depreciation	(15,052,120)	(872,368)	(65,412)	(15,859,076)
Net assets	\$ 13,274,617	\$ (223,378)	\$ -	\$ 13,051,239

Depreciation expense was charged to governmental functions as follows:

General government	\$ 7,565
Public safety	57,170
Streets	515,713
Parks & recreation	291,920
	<u>\$ 872,368</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

8. CHANGES IN FIXED ASSETS – *continued*

Enterprise fund fixed asset changes for the year ended June 30, 2017 were as follows:

	7/1/2016	Additions	Deletions	6/30/2017
Water:				
Land and water shares	\$ 473,559	\$ -	\$ -	\$ 473,559
System	10,454,203	374,460	-	10,828,663
Buildings & equipment	751,491	-	-	751,491
Accumulated depreciation	(4,597,797)	(236,379)	-	(4,834,176)
Net position	<u>\$ 7,081,456</u>	<u>\$ 138,081</u>	<u>\$ -</u>	<u>\$ 7,219,537</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	5,349,878	310,392	-	5,660,270
Equipment	345,403	13,000	-	358,403
Accumulated depreciation	(3,031,937)	(121,162)	-	(3,153,099)
Net position	<u>\$ 2,664,194</u>	<u>\$ 202,230</u>	<u>\$ -</u>	<u>\$ 2,866,424</u>
Storm water:				
System	\$ 28,319	\$ 183,419	\$ -	\$ 211,738
Equipment	232,467	-	-	232,467
Accumulated depreciation	(36,148)	(24,519)	-	(60,667)
Net position	<u>\$ 224,638</u>	<u>\$ 158,900</u>	<u>\$ -</u>	<u>\$ 383,538</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 \$131,394 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 \$266,965. 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 \$10,606 in rental payments for the year. The future payments are as follows:

2018	\$	18,985
2019		11,703
2020		8,777
Total	\$	<u>39,465</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.

REQUIRED SUPPLEMENTAL SECTION

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

For the Year Ended June 30, 2017

	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	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%
	2017	0.1021861%	656,160	879,705	74.59%	87.30%
Contributory System	2015	0.1471111%	\$ 42,433	\$ 78,637	53.96%	94.00%
	2016	0.1931606%	135,764	82,303	164.96%	85.70%
	2017	0.3581704%	117,520	85,939	136.75%	92.90%
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%
	2017	0.0599182%	121,591	135,542	89.71%	86.50%
Firefighters System	2015	0.3947098%	\$ (22,524)	\$ 103,621	-21.74%	103.50%
	2016	0.4175805%	(7,563)	112,219	-6.74%	101.00%
	2017	0.3950045%	(3,114)	111,064	-2.80%	100.40%
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%
	2017	0.0236957%	2,643	194,325	1.36%	95.10%
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%
	2017	0.0168290%	(146)	13,904	-1.05%	103.60%

NORTH LOGAN CITY
Schedule of Contributions

For the Year Ended June 30, 2017

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions 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%
	2017	158,154	158,154	-	861,075	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%
	2017	15,179	15,179	-	104,974	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%
	2017	5,161	5,161	-	132,230	3.90%
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%
	2017	36,337	36,337	-	243,710	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%

NORTH LOGAN CITY
Notes to Required Supplementary Information

For the Year Ended June 30, 2017

1. Changes in Assumptions:

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by .15% from the prior year's assumption.

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SUPPLEMENTAL SECTION

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NORTH LOGAN CITY
Combining Statement of Net Position
Nonmajor Proprietary Funds

As of June 30, 2017

	Storm water	Total Nonmajor Proprietary	
		2017	2016
ASSETS			
Cash and cash equivalents	\$ 277,709	\$ 277,709	\$ 247,008
Accounts receivable	19,094	19,094	19,433
Total current assets	296,803	296,803	266,441
Capital assets			
Distribution and collection systems	211,738	211,738	28,319
Buildings and equipment	232,467	232,467	232,467
Less accumulated depreciation	(60,667)	(60,667)	(36,148)
Total noncurrent assets	383,538	383,538	224,638
Deferred outflows of resources-pensions	5,276	5,276	11,529
Total assets	\$ 685,617	\$ 685,617	\$ 502,608
LIABILITIES & NET POSITION			
Liabilities:			
Accounts payable	\$ 1,461	\$ 1,461	\$ 9,586
Accrued payables	6,099	6,099	3,286
Capital lease payable - due within a year	31,489	31,489	-
Total current liabilities	39,049	39,049	12,872
Noncurrent liabilities:			
Pension liability	8,979	8,979	22,454
Capital lease payable - due in more than one year	65,703	65,703	97,192
Total noncurrent liabilities	74,682	74,682	119,646
Total liabilities	113,731	113,731	132,518
Deferred inflow of resources- pensions	3,309	3,309	3,011
Total liabilities and deferred inflows	117,040	117,040	135,529
NET POSITION			
Net investment in capital assets	286,346	286,346	124,160
Unrestricted	282,231	282,231	242,919
Total net position	568,577	568,577	367,079
Total liabilities & net position	\$ 685,617	\$ 685,617	\$ 502,608

NORTH LOGAN CITY**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds****For the year ended June 30, 2017**

	Storm Water	Total Nonmajor Proprietary	
		2017	2016
OPERATING REVENUES			
Charges for services	\$ 208,637	\$ 208,637	\$ 203,790
Total operating revenues	208,637	208,637	203,790
OPERATING EXPENSES			
Wages and benefits	24,952	24,952	55,657
Professional fees	3,481	3,481	4,500
Repairs and maintenance	48,160	48,160	146,322
Other	17,892	17,892	18,522
Facilities	3,609	3,609	7,374
Depreciation	24,519	24,519	23,889
Total operating expenses	122,613	122,613	256,264
Operating income (loss)	86,024	86,024	(52,474)
NON-OPERATING EXPENSES			
Interest income	1,713	1,713	1,029
Interest expense	(2,608)	(2,608)	(6,892)
Transfers	(4,000)	(4,000)	(4,000)
Contributed capital	120,369	120,369	-
Total non-operating expenses	115,474	115,474	(9,863)
Change in net position	201,498	201,498	(62,337)
Net position-beginning	367,079	367,079	429,416
Net position-ending	\$ 568,577	\$ 568,577	\$ 367,079

NORTH LOGAN CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds

For the year ended June 30, 2017

	Nonmajor Proprietary	Memorandum Totals	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 208,976	\$ 208,976	\$ 202,226
Payments to suppliers	(89,378)	(89,378)	(162,911)
Payments to employees	(24,952)	(24,952)	(55,657)
Net cash provided (used) by operating activities	94,646	94,646	(16,342)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	-	(60,533)
Interest paid on capital debt	(2,608)	(2,608)	(6,892)
Purchases of capital assets	(63,050)	(63,050)	-
Net cash used by capital and related financing activities	(65,658)	(65,658)	(67,425)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,713	1,713	1,029
Net cash provided by investing activities	1,713	1,713	1,029
Net increase (decrease) in cash and cash equivalents	30,701	30,701	(82,738)
Cash and equivalents at beginning of year	247,008	247,008	329,746
Cash and equivalents at end of year	\$ 277,709	\$ 277,709	\$ 247,008
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 86,024	\$ 86,024	\$ (52,474)
Adjustments to reconcile net income from operations to net cash provided by operating:			
Depreciation	24,519	24,519	23,889
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	339	339	(1,564)
Decrease (increase) in deferred outflows	6,253	6,253	(11,529)
Increase (decrease) in accruals	(18,787)	(18,787)	26,325
Increase (decrease) in deferred inflows	298	298	3,011
Total adjustments	8,622	8,622	36,132
Net cash provided (used) by operating activities:	\$ 94,646	\$ 94,646	\$ (16,342)

Non cash transactions:

Capital infrastructure improvements of \$120,369 were donated by various contractors.

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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, 2017, 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 December 28, 2017.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and recommendations as findings 2017-1 and 2017-2 that we consider to be material weaknesses.

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*.

North Logan City's Response to Findings

North Logan City, Utah's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. North Logan City, Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, flowing style.

Allred Jackson

North Logan, UT
December 28, 2017



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

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

Report On Compliance

We have audited North Logan City, Utah's (the City) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2017.

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

Management's Responsibility

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

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 a state compliance requirement occurred. 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Basis for Qualified Opinion on Budgetary Compliance

As described in the accompanying schedule of findings and recommendations, the City did not comply with requirements regarding Fund Balance, Open and Public Meetings, and Budgetary Compliance (see 2017-3 through 2017-5). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to Fund Balance, Open and Public Meetings, and Budgetary Compliance.

Qualified Opinion on Fund Balance, Open and Public Meetings, and Budgetary Compliance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other General State Compliance Areas

In our opinion, the City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a state compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as item 2017-3, 2017-4, and 2017-5 to be material weaknesses

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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
December 28, 2017

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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NORTH LOGAN CITY
Schedule of Findings and Recommendations

Continued

2017-1: Library Questionable Costs (Material Weakness)

Description: During the year, management identified a significant amount of charges on various City credit cards that appeared to be for a library employee's personal benefit. These questionable charges were summarized and turned over to the Cache County Attorney's office for investigation. Upon further testing during the audit, additional questionable items were identified for a total amount of approximately \$133,000. The Cache County Attorney's office will be filing charges in the near future.

Recommendation: The City needs to revise their procurement policy and revisit the procedures related to credit cards purchases and gift card purchases. Credit card statements need to be reviewed timely after receipt and all undocumented and questionable charges should be investigated in a timely manner. The City should consider restricting the purchase of gift cards and documenting the recipient of any distributed gift cards.

Management response: Management is in the process of making the following changes related to their purchasing policies and procedures.

P - Cards:

In February 2018, North Logan City will be soliciting proposals for banking services. With the banking services, the City will be looking at eliminating credit cards (unless absolutely necessary). The City will be moving towards the usage of very limited Purchase Cards with significant oversight for all documentation of purchases.

Purchasing Agent(s):

The City will be looking into options of designating 1-2 purchasing agents. These agents will help make online purchases, and authorize other transactions that may need the usage of a credit card.

Travel:

Travel Credit Cards that are checked out from the front desk (at the City Office). For most departments (City related travel/training outside of the State of Utah will not be allowed, and they should take a City vehicle to all trainings in the State). The City will also be reformatting reimbursement forms (for travel), to significantly limit what is allowed with the reimbursement form.

Individual Business Charge Cards:

Charge accounts with local businesses will be evaluated to see if they are needed. Increased standards regarding documentation, and the usage of Purchase Cards will be implemented.

NORTH LOGAN CITY

Schedule of Findings and Recommendations

Continued

Library Purchases:

Online purchases may need to go through a purchasing agent at the City Offices, or a very limited p-card. The other purchasing options of the Library will need to follow all of the recommendations listed in this section. The new Library Director will be heavily involved with the City's accounting dept., in following the increased and restricted standards.

Gift Cards:

Unless donated to the City, gift cards cannot be purchased by the City. If they have been purchased before the current date, then the employee receiving the gift card will need to record the Who, What, When, and Why as it relates to receiving the gift card.

Gifts - Retirement/Attaboys:

The City will require that the individuals receiving a bonus (which will now go through payroll), or gift will need to document the Who, What, When, and Why of the gift being received.

Payment of 1099 Contractors:

If we are paying refs, umps..etc., they need to keep track of the number of games reffed and on what days on an excel sheet. The recreation director can develop a standard simple google sheet that they can input their info on weekly.

General:

If employees fail to turn in documentation for any type of purchase, then those items will come out of that employee's pocket.

When an employee receives any type of receipt or documentation, that employee shall take a picture, or scan that receipt. The physical copy of the receipt should be turned in to the department head/City Administrator ASAP. The receipts should then be coded by the Dept. Head, and/or the City Admin. Who then turns the receipts into the new Accounts Payable Clerk, who has received an extensive amount of training regarding accounting principles.

2017-2: Adjusting Entries and Account Coding (Material Weakness)

Description: During the course of the audit, we identified many accounts that were not reconciled with the year-end actual balances and/or incorrectly posted in the accounting records.

Recommendation – Implement a process to review monthly and annual financial statements and adjust amounts to properly account for restricted cash & equity, debt payments, accounts receivable, accounts payable, and fixed asset additions and deletions.

NORTH LOGAN CITY
Schedule of Findings and Recommendations

Continued

Management response: The City will be reformatting the entire municipal budget by the end of January 2018. The goal of the budget reformatting will be to simplify the budget, so that it can be used of more of a reporting tool. With this simplification, the City will be following the recommendation above, and monthly statements will be reviewed and monitored at monthly meetings.

2017-3: Fund Balance (State compliance, Material Weakness)

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 Library, General, or Sewer funds.

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

Management response: The City has recently increased the sewer user rates in order to help pay for the new wastewater mechanical treatment plant that Logan City is constructing. With this increase in sewer rates, North Logan City also built in the ability to retire the deficit fund balance for that department over the next few years. In addition, the City Council has expressed the interest in July of 2017 of revising the Library and General fund budgets in order to retire the deficit and ensure that an adequate reserve is established. This revision will be part of the reformatting and revision process that will take place in January and February of 2018.

2017-4: Open and Public Meetings (State compliance, Material Weakness)

Description: The City is required to post city council minutes 3 days after approval. In both samples that were tested, the City was not posting within the required time. We noted that minutes had not been prepared or posted for approximately 6 months at the time of the audit. The City also did not record the executive session, as required by State law.

Recommendation: We recommend that the City post minutes within the state requirement and record executive sessions when required.

Management response: The issues and concerns have been addressed and the minutes should be up to date in January 2018. At that time, and in the future, the City will post the minutes within the State requirement, and record the executive sessions when required.

NORTH LOGAN CITY
Schedule of Findings and Recommendations

Continued

2017-5: Budgetary Compliance (State compliance, Material Weakness)

Description: Total fund expenditures are required to stay within the budgeted amounts. As of June 30, 2017, the RDA and Capital Improvement Funds had exceeded their budgeted amounts.

Recommendation: Monitor budgets throughout the year to stay in compliance with budgeted amounts.

Management response: This will be addressed with the budget reformatting/revision process over the next month, and the City will stay in compliance with the budgeted amounts.

NORTH LOGAN CITY
Schedule of Findings and Recommendations

For the Year Ended June 30, 2016

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.

Status: See repeat finding at 2017-3.

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.

Status: The Treasurer's bond complied as of June 30, 2017.

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.

Status: See similar finding in current year at 2017-4.