



North Logan City

**Financial Statements
June 30, 2018**

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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 18, 2018

North Logan City Council
North Logan, Utah

It is with great pleasure that the financial statements for North Logan City for the year ended June 30, 2018, 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, 2018, 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, 2018, 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, 2018, 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 Pro Tem Damon Cann
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, 2018, 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, 2018, 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 18, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Very truly yours,

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

Allred Jackson

North Logan, UT
December 18, 2018

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NORTH LOGAN CITY Management's Discussion and Analysis

For the Year Ended June 30, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

- The total net position of North Logan City increased 28 percent to \$30,948,318.
- The total net position of \$30,948,318 was made up of \$27,386,563 in capital assets net of related debt and \$1,543,396 of restricted net position and \$2,018,359 of unrestricted net position.
- In the General Fund, revenues exceeded expenditures by \$785,488.
- Total long-term debt of the City was decreased by \$445,445.
- Total net position of business-type activities increased by \$1,399,636.

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 19 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, users 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 considered 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 \$30,948,318.

The greatest portion of North Logan City's net position (88%) 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.

The following table summarizes the City's net position as of June 30, 2018:

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Current and other assets	\$ 3,562,759	\$ 2,441,788	\$ 1,625,875	\$ 957,618
Non current assets	1,197,813	845,195	377,264	321,717
Capital assets	17,136,005	13,051,239	10,886,940	10,469,499
Deferred outflow of resources	378,339	448,428	61,589	82,657
Total assets and deferred outflows	22,274,916	16,786,650	12,951,668	11,831,491
Long-term debt outstanding	339,148	497,463	293,433	580,563
Other liabilities	1,035,482	1,382,844	365,980	399,794
Deferred inflow of resources	2,153,109	1,541,853	91,114	49,629
Total liabilities and deferred inflows	3,527,739	3,422,160	750,527	1,029,986
Net position				
Net investment in capital assets	16,796,857	12,553,776	10,589,706	9,885,915
Restricted	1,166,132	841,935	377,264	321,717
Unrestricted	784,188	(31,221)	1,234,171	593,873
Total net position	<u>\$ 18,747,177</u>	<u>\$ 13,364,490</u>	<u>\$ 12,201,141</u>	<u>\$ 10,801,505</u>

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

The following table summarizes the changes in the City's net position during the fiscal year ended June 30, 2018:

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues:				
Program revenues:				
Charges for services	\$ 1,880,229	\$ 1,621,968	\$ 3,063,044	\$ 2,594,665
Dedicated property tax	734,875	672,472	32,911	32,911
Operating grants & contributions	580,094	727,171	-	-
Capital grants & contributions	4,887,925	510,963	896,938	630,372
General revenues:				
Property taxes	803,734	726,446	-	-
Other taxes	3,595,355	3,206,051	-	-
Investment income	41,395	17,992	17,906	8,714
Other revenues	41,557	47,390	-	-
Total revenues	12,565,164	7,530,453	4,010,799	3,266,662
Expenses:				
General government	952,368	1,195,571	-	-
Public safety	1,742,296	1,739,692	-	-
Streets	1,878,975	1,705,397	-	-
Public works	37,902	28,355	-	-
Sanitation	842,872	809,712	-	-
Parks & recreation	1,255,237	1,274,275	-	-
Community development	472,827	325,181	-	-
Water	-	-	959,944	992,385
Sewer	-	-	1,533,603	1,358,292
Storm water	-	-	117,616	125,221
Total expenses	7,182,477	7,078,183	2,611,163	2,475,898
Transfers in (out)	-	(106,965)	-	106,965
Increase (decrease) in net position	5,382,687	345,305	1,399,636	897,729
Net position, beginning	13,364,490	13,019,185	10,801,505	9,903,776
Net position, ending	\$18,747,177	\$13,364,490	\$12,201,141	\$10,801,505

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of June 30, 2018, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$2,575,526. This represents an increase of \$1,065,586 (70%) 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 54 percent of total general fund revenues. The largest element was sales tax, which represented 67 percent of total tax revenues and 36 percent of total General Fund revenues. This compares with 41 percent in the prior fiscal year ended June 30, 2017.

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 \$5,042,164 and a decrease in long-term debt of \$158,315 due to bond and capital lease principal payments.

Significant changes in business-type activities included a decrease in long-term debt of \$255,641 due to bond and capital lease principal payments and addition to capital assets through contributions and acquisition of \$919,770.

GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was \$7,388,704, which increased three percent to \$7,617,649 due to increased costs associated with general government and parks.

The Library Fund original budget for expenditures was \$716,807, which was decreased 24 percent to \$544,062 to cover general operations.

The RDA Fund original budget for expenditures was \$517,800, which was decreased 29 percent to \$365,326 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, 2018, totaled \$28,022,945. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City's investment in fixed assets increased by 19 percent due to capital asset additions being greater than current year depreciation.

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

- \$365,251 for sewer system improvements.
- \$351,648 for water improvements.
- \$83,569 for storm water improvements.
- \$700,102 for road improvements.
- \$712,290 for park improvements.
- \$3,235,955 for land acquisition.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 7,009,707	\$ 474,409
Buildings and equipment	9,566,707	1,431,653
Systems	17,170,157	17,384,642
Less: accumulated depreciation	(16,610,566)	(8,403,764)
Total	<u>\$ 17,136,005</u>	<u>\$ 10,886,940</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, 2018, the City had total bonded debt outstanding of \$227,730. Of this amount \$85,393 is considered to be general obligation debt and backed by the full faith and credit of the City and \$142,337 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations were \$114,104 and a note payable to a developer of \$290,747. The City's debt decreased by \$445,445 during the fiscal year. See the footnotes for additional information on the debt obligations of the City

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ -	\$ 85,393
Capital lease and notes payable	339,148	65,703
Revenue bonds	-	142,337
Total outstanding debt	<u>\$ 339,148</u>	<u>\$ 293,433</u>

NORTH LOGAN CITY
Statement of Net Position

As of June 30, 2018

	Governmental Activities	Business-type Activities	Total 2018	Memorandum 2017
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,462,963	\$ 1,313,851	\$ 2,776,814	\$ 1,326,564
Account receivable, net	2,043,013	312,024	2,355,037	1,941,214
Prepaid expense	56,783	-	56,783	131,628
Total current assets	3,562,759	1,625,875	5,188,634	3,399,406
Noncurrent assets:				
Restricted cash	1,166,132	377,264	1,543,396	1,163,652
Capital assets:				
Land and water shares	7,009,707	474,409	7,484,116	4,248,161
Distribution and collection systems	17,170,157	17,384,642	34,554,799	33,369,685
Buildings and equipment	9,566,707	1,431,653	10,998,360	9,809,910
Less: accumulated depreciation	(16,610,566)	(8,403,764)	(25,014,330)	(23,907,018)
Total capital assets	17,136,005	10,886,940	28,022,945	23,520,738
Pension asset	31,681	-	31,681	3,260
Total noncurrent assets	18,333,818	11,264,204	29,598,022	24,687,650
Total assets	21,896,577	12,890,079	34,786,656	28,087,056
Deferred outflow of resources - pensions	378,339	61,589	439,928	527,563
Deferred outflow of resources - bond premiums	-	-	-	3,522
Total assets and deferred outflows	\$ 22,274,916	\$ 12,951,668	\$ 35,226,584	\$ 28,618,141

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

NORTH LOGAN CITY
Statement of Net Position

Continued

	Governmental Activities	Business-type Activities	Total 2018	Memorandum 2017
Liabilities & Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	\$ 421,910	\$ 291,603	\$ 713,513	\$ 660,574
Accrued expense	90,890	4,299	95,189	54,122
Deposits	47,158	-	47,158	33,337
Accrued interest payable	-	3,801	3,801	3,021
Bonds payable within one year	339,148	112,332	451,480	507,251
Total current liabilities	899,106	412,035	1,311,141	1,258,305
Noncurrent liabilities:				
Net pension liability	362,733	59,050	421,783	897,912
Bonds and leases payable	-	181,101	181,101	570,775
Refunding bond premium	-	-	-	2,278
Accrued compensated absences	112,791	7,227	120,018	131,394
Total noncurrent liabilities	475,524	247,378	722,902	1,602,359
Deferred inflows of resources - pensions	559,702	91,114	650,816	330,857
Deferred inflows of resources - property taxes	1,593,407	-	1,593,407	1,260,625
Total liabilities & deferred inflows of resources	3,527,739	750,527	4,278,266	4,452,146
Net Position				
Net investment in capital assets	16,796,857	10,589,706	27,386,563	22,439,691
Restricted for:				
Debt service	-	158,156	158,156	292,929
Impact fees/park projects	1,119,010	219,108	1,338,118	823,887
Grants and contributions	47,122	-	47,122	46,836
Unrestricted	784,188	1,234,171	2,018,359	562,652
Total net position	\$ 18,747,177	\$ 12,201,141	\$ 30,948,318	\$ 24,165,995

NORTH LOGAN CITY
Statement of Activities

For the Year Ended June 30, 2018

	Program Revenues					Net Governmental Activities	Business Type Activities	Total 2018	Memorandum 2017
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants Grants & Contributions				
Governmental activities:									
General government	\$ 952,368	\$ 455,928	\$ -	\$ -	\$ -	\$ (496,440)	\$ -	\$ (496,440)	\$ (818,535)
Public safety	1,742,296	322,729	-	6,924	48,348	(1,364,295)	-	(1,364,295)	(1,381,000)
Streets	1,878,975	44,540	-	423,006	4,087,400	2,675,971	-	2,675,971	(896,065)
Public works	37,902	-	-	-	-	(37,902)	-	(37,902)	(28,355)
Sanitation	842,872	869,042	-	-	-	26,170	-	26,170	39,556
Parks and recreation	1,255,237	187,990	398,603	150,164	752,177	233,697	-	233,697	(354,678)
Community development	472,827	-	336,272	-	-	(136,555)	-	(136,555)	(106,532)
Total governmental activities	7,182,477	1,880,229	734,875	580,094	4,887,925	900,646	-	900,646	(3,545,609)
Business-type activities:									
Water	959,944	1,188,111	-	-	461,539	-	689,706	689,706	515,600
Sewer	1,533,603	1,659,524	32,911	-	358,032	-	516,864	516,864	62,665
Storm water	117,616	215,409	-	-	77,367	-	175,160	175,160	203,785
Total business-type activities	2,611,163	3,063,044	32,911	-	896,938	-	1,381,730	1,381,730	782,050
General revenues:									
Taxes:									
Property taxes levied for general purposes						803,734	-	803,734	726,446
Franchise and other taxes						647,779	-	647,779	604,185
General sales taxes & highway sales taxes						2,947,576	-	2,947,576	2,601,866
Business licenses						39,147	-	39,147	45,990
Gain (loss) on sale of assets						2,410	-	2,410	1,400
Investment income						41,395	17,906	59,301	26,706
Transfers in (out)						-	-	-	-
Total general revenues						4,482,041	17,906	4,499,947	4,006,593
Change in net position						5,382,687	1,399,636	6,782,323	1,243,034
Net position, beginning						13,364,490	10,801,505	24,165,995	22,922,961
Net position, ending						\$ 18,747,177	\$ 12,201,141	\$ 30,948,318	\$ 24,165,995

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

NORTH LOGAN CITY
Balance Sheet
Governmental Funds

As of June 30, 2018

	General	Library	Capital Projects	RDA	Total 2018	Memorandum 2017
Assets						
Cash & cash equivalents	\$ 680,774	\$ 31,760	\$ 534,953	\$ 215,476	\$ 1,462,963	\$ 607,739
Accounts receivable, net	1,308,786	398,334	-	335,893	2,043,013	1,702,421
Prepaid expense	56,783	-	-	-	56,783	131,628
Restricted cash	1,166,132	-	-	-	1,166,132	841,935
Total assets	<u>\$ 3,212,475</u>	<u>\$ 430,094</u>	<u>\$ 534,953</u>	<u>\$ 551,369</u>	<u>\$ 4,728,891</u>	<u>\$ 3,283,723</u>
Liabilities, deferred inflows of resources, and fund balance						
Liabilities:						
Interfund payable/receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	264,046	6,453	-	151,411	421,910	445,126
Accrued expenses	81,795	9,095	-	-	90,890	34,695
Deposits	47,158	-	-	-	47,158	33,337
Total liabilities	<u>392,999</u>	<u>15,548</u>	<u>-</u>	<u>151,411</u>	<u>559,958</u>	<u>513,158</u>
Total deferred inflows of resources	<u>859,180</u>	<u>398,334</u>	<u>-</u>	<u>335,893</u>	<u>1,593,407</u>	<u>1,260,625</u>
Total liabilities and deferred inflows	<u>1,252,179</u>	<u>413,882</u>	<u>-</u>	<u>487,304</u>	<u>2,153,365</u>	<u>1,773,783</u>
Fund balance:						
Non spendable	56,783	-	-	-	56,783	131,628
Restricted for:						
Park impact/park projects	568,869	-	-	-	568,869	423,604
Road impact	550,141	-	-	-	550,141	371,495
Community center	47,122	-	-	-	47,122	46,836
Assigned for:						
Recreation	5,937	-	-	-	5,937	-
Cemetery	440,546	-	-	-	440,546	445,259
Junior Jazz	700	-	-	-	700	4,406
Sports	-	-	-	-	-	-
Wildland fires	77,285	-	-	-	77,285	63,837
Elk Ridge Park	9,726	-	-	-	9,726	5,345
Special revenue funds	-	16,212	-	64,065	80,277	4,825
Capital projects funds	-	-	534,953	-	534,953	329,232
Unassigned for: general fund	203,187	-	-	-	203,187	(316,527)
Total fund balances	<u>1,960,296</u>	<u>16,212</u>	<u>534,953</u>	<u>64,065</u>	<u>2,575,526</u>	<u>1,509,940</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,212,475</u>	<u>\$ 430,094</u>	<u>\$ 534,953</u>	<u>\$ 551,369</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 \$33,746,571 and \$28,910,315, respectively and the accumulated depreciation is \$16,610,566 and \$15,859,076, respectively.

17,136,005 13,051,239

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.

(451,939) (603,923)

Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the funds

(512,415) (592,766)

Total net position-governmental activities

\$ 18,747,177 \$ 13,364,490

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

For the Year Ended June 30, 2018

	General	Library	Capital Projects	RDA	Total 2018	Memorandum 2017
Revenues:						
Taxes	\$ 4,399,089	\$ 398,603	\$ -	\$ 336,272	\$ 5,133,964	\$ 4,604,969
Licenses and permits	381,589	-	-	-	381,589	304,282
Intergovernmental revenue	1,058,142	6,021	41,000	-	1,105,163	537,767
Charges for services	2,091,050	-	-	-	2,091,050	1,355,335
Fines	127,553	7,740	-	-	135,293	116,836
Other	61,810	161,727	3,146	3,326	230,009	410,904
Total revenues	<u>8,119,233</u>	<u>574,091</u>	<u>44,146</u>	<u>339,598</u>	<u>9,077,068</u>	<u>7,330,093</u>
Expenditures:						
Current operations:						
General government	1,045,844	-	-	-	1,045,844	1,203,855
Public safety	1,700,032	-	-	-	1,700,032	1,731,921
Streets	2,098,907	-	-	-	2,098,907	1,491,617
Public works	37,902	-	-	-	37,902	28,355
Sanitation	842,872	-	-	-	842,872	809,712
Parks and recreation	1,292,042	523,966	-	-	1,816,008	1,287,126
Community development	158,556	-	-	314,271	472,827	325,181
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>7,176,155</u>	<u>523,966</u>	<u>-</u>	<u>314,271</u>	<u>8,014,392</u>	<u>6,877,767</u>
Excess (deficiency) of revenues over expenditure:	943,078	50,125	44,146	25,327	1,062,676	452,326
Other financing sources (uses):						
Sale of capital assets	2,410	-	-	-	2,410	1,400
Capital contributions	-	-	500	-	500	-
Transfers in (out)	(160,000)	-	160,000	-	-	(106,965)
Total other financing sources	<u>(157,590)</u>	<u>-</u>	<u>160,500</u>	<u>-</u>	<u>2,910</u>	<u>(105,565)</u>
Net change in fund balances	785,488	50,125	204,646	25,327	1,065,586	346,761
Fund balances, beginning	1,174,808	(33,913)	330,307	38,738	1,509,940	1,163,179
Fund balances, ending	<u>\$ 1,960,296</u>	<u>\$ 16,212</u>	<u>\$ 534,953</u>	<u>\$ 64,065</u>	<u>\$ 2,575,526</u>	<u>\$ 1,509,940</u>

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

NORTH LOGAN CITY

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

For the Year Ended June 30, 2018

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

Net change in fund balances-total governmental funds	\$ 1,065,586
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Contributed capital	\$ 3,485,186	
Purchase of fixed assets	1,556,978	
Loss on disposal of assets	(28,256)	
Depreciation expense	<u>(929,142)</u>	4,084,766

Pension (expense) benefit		80,351
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Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. 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	158,315	
Change in accrued compensated absences	<u>(6,331)</u>	151,984
Change in net position of governmental activities		<u>\$ 5,382,687</u>

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

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
General property taxes-current	\$ 690,757	\$ 766,514	\$ 731,844	\$ (34,670)
Prior years' taxes-delinquent	22,440	39,500	39,304	(196)
General sales & use taxes	2,824,680	2,800,000	2,947,576	147,576
Franchise taxes	25,991	25,991	25,701	(290)
Mass transit tax	557,600	609,600	622,078	12,478
Fee-in-lieu of property taxes	59,969	40,000	32,586	(7,414)
Total taxes	4,181,437	4,281,605	4,399,089	117,484
Licenses & permits:				
Business licenses & permits	40,000	45,000	39,147	(5,853)
Building structures & equipment	323,410	399,410	335,812	(63,598)
Animal licenses	3,500	6,410	6,630	220
Total licenses & permits	366,910	450,820	381,589	(69,231)
Intergovernmental revenues:				
Public safety	150,134	70,692	41,895	(28,797)
State and other governmental grants	350,140	593,241	593,241	-
Class "C" road fund allotment	395,352	370,000	423,006	53,006
Total intergovernmental revenues	895,626	1,033,933	1,058,142	24,209
Charges for services:				
Zoning & subdivision fees	256,612	806,206	899,786	93,580
Sale of maps & publications	200	200	-	(200)
Public safety	147,849	132,849	160,923	28,074
Refuse collection charges	828,993	880,000	869,042	(10,958)
Cemetery fees	9,000	55,132	42,233	(12,899)
Parks and public property	140,000	106,271	119,066	12,795
Total charges for services	1,382,654	1,980,658	2,091,050	110,392
Fines & forfeitures:				
Fines	101,500	118,482	127,189	8,707
Forfeitures	2,000	3,500	364	(3,136)
Total fines & forfeitures	103,500	121,982	127,553	5,571
Miscellaneous revenue:				
Interest earnings	2,050	24,603	34,970	10,367
Rents & miscellaneous	-	8,600	26,840	18,240
Sale of materials & supplies	231,000	2,500	2,410	(90)
Total miscellaneous revenue	233,050	35,703	64,220	28,517
Total revenues	\$7,163,177	\$7,904,701	\$8,121,643	\$ 216,942

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

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

Continued

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General government:				
Legislative	\$ 112,662	\$ 146,706	\$ 150,042	\$ (3,336)
Judicial	198,854	199,000	182,364	16,636
Executive	172,495	177,446	165,283	12,163
Administrative	160,031	194,223	224,816	(30,593)
Non-departmental	364,395	419,964	316,018	103,946
Planning & zoning	12,087	8,600	7,321	1,279
Total general government	1,020,524	1,145,939	1,045,844	100,095
Public safety:				
Police department	1,008,052	1,012,100	1,008,094	4,006
Fire department	496,830	541,400	533,578	7,822
Protective inspection	246,828	173,500	155,476	18,024
Animal control	9,497	-	2,884	(2,884)
Total public safety	1,761,207	1,727,000	1,700,032	26,968
Streets & improvements:				
Streets	2,377,701	2,107,010	2,098,907	8,103
Public works	-	60,740	37,902	22,838
Sanitation	720,000	855,100	842,872	12,228
Total streets & improvements	3,097,701	3,022,850	2,979,681	43,169
Parks, recreation, & public property:				
Park & park areas	921,419	1,095,860	975,419	120,441
Recreation & culture	162,327	259,000	246,787	12,213
Cemetery	60,750	71,100	69,836	1,264
Total parks, recreation, & public property	1,144,496	1,425,960	1,292,042	133,918
Community & economic development:				
Community planning	197,776	135,900	158,556	(22,656)
Transfers & other uses:				
Transfer to other funds	167,000	160,000	160,000	-
Total transfers & other uses	167,000	160,000	160,000	-
Total expenditures	7,388,704	7,617,649	7,336,155	281,494
Net change in fund balance	(225,527)	287,052	785,488	498,436
Fund balance, beginning	1,174,808	1,174,808	1,174,808	-
Fund balance, ending	\$ 949,281	\$1,461,860	\$1,960,296	\$ 498,436

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

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Library revenues				
Dedicated property taxes	\$381,248	\$ 398,603	\$ 398,603	\$ -
Intergovernmental revenue	-	6,012	6,021	9
Fines	10,000	8,000	7,740	(260)
Other	325,559	165,447	161,727	(3,720)
Total revenues	716,807	578,062	574,091	(3,971)
Library expenditures				
General operations	716,807	544,062	523,966	20,096
Total expenditures	716,807	544,062	523,966	20,096
Excess (deficiency) of revenues over expenditures	-	34,000	50,125	16,125
Other financing sources (uses):				
Proceeds from sale of asset	-	-	-	-
Net change in fund balance	-	34,000	50,125	16,125
Fund balance at beginning of year	(33,913)	(33,913)	(33,913)	-
Fund balance at end of year	<u>\$ (33,913)</u>	<u>\$ 87</u>	<u>\$ 16,212</u>	<u>\$ 16,125</u>
RDA revenues				
Dedicated property taxes	\$430,000	\$ 466,949	\$ 336,272	\$ (130,677)
Other	2,117	2,481	3,326	845
Total revenues	432,117	469,430	339,598	(129,832)
RDA expenditures				
Community development	517,800	365,326	314,271	51,055
Excess (deficiency) of revenues over expenditures	(85,683)	104,104	25,327	(78,777)
Transfer to other funds	-	-	-	-
Net change in fund balance	(85,683)	104,104	25,327	(78,777)
Fund balance at beginning of year	38,738	38,738	38,738	-
Fund balance at end of year	<u>\$ (46,945)</u>	<u>\$ 142,842</u>	<u>\$ 64,065</u>	<u>\$ (78,777)</u>

NORTH LOGAN CITY
Statement of Net Position
Proprietary Funds

As of June 30, 2018

	Water	Sewer	Non Major Proprietary	Total 2018	Memorandum 2017
Assets					
Current assets:					
Cash & cash equivalents	\$ 955,486	\$ -	\$ 358,365	\$ 1,313,851	\$ 718,825
Accounts receivable, net	138,560	154,727	18,737	312,024	238,793
Total current assets	1,094,046	154,727	377,102	1,625,875	957,618
Noncurrent assets:					
Restricted cash	196,976	180,288	-	377,264	321,717
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	11,063,814	6,025,521	295,307	17,384,642	16,700,671
Buildings and equipment	810,702	388,484	232,467	1,431,653	1,342,361
Less accumulated depreciation	(5,035,341)	(3,280,137)	(88,286)	(8,403,764)	(8,047,942)
Total noncurrent assets	7,509,710	3,315,006	439,488	11,264,204	10,791,216
Deferred outflow of resources- pensions	35,194	21,996	4,399	61,589	79,135
Deferred outflow of resources- refunding	-	-	-	-	3,522
Total assets and deferred outflow of resources	\$8,638,950	\$3,491,729	\$ 820,989	\$12,951,668	\$11,831,491

NORTH LOGAN CITY
Statement of Net Position
Proprietary Funds

Continued

	Water	Sewer	Non Major Proprietary	Total 2018	Memorandum 2017
Liabilities					
Current liabilities:					
Interfund payable/receivable	\$ (122,049)	\$ 122,049	\$ -	\$ -	\$ -
Accounts payable	46,775	244,828	-	291,603	215,448
Accrued payables	5,807	5,496	223	11,526	44,361
Accrued interest payable	-	2,112	1,689	3,801	3,021
Bonds payable - due within a year	-	79,998	32,334	112,332	287,564
Total current liabilities	<u>(69,467)</u>	<u>454,483</u>	<u>34,246</u>	<u>419,262</u>	<u>550,394</u>
Noncurrent liabilities:					
Net pension liability	33,743	21,089	4,218	59,050	134,686
Bond payable - due in more than one year	-	147,732	33,369	181,101	292,999
Bond premium on refunding	-	-	-	-	2,278
Total noncurrent liabilities	<u>33,743</u>	<u>168,821</u>	<u>37,587</u>	<u>240,151</u>	<u>429,963</u>
Total liabilities	<u>(35,724)</u>	<u>623,304</u>	<u>71,833</u>	<u>659,413</u>	<u>980,357</u>
Deferred inflow of resources- pensions	<u>52,065</u>	<u>32,541</u>	<u>6,508</u>	<u>91,114</u>	<u>49,629</u>
Total liabilities and deferred inflows	<u>16,341</u>	<u>655,845</u>	<u>78,341</u>	<u>750,527</u>	<u>1,029,986</u>
Net Position					
Net investment in capital assets	7,312,734	2,904,876	372,096	10,589,706	9,885,915
Restricted for debt service	-	158,156	-	158,156	292,929
Restricted for impact fees	196,976	22,132	-	219,108	28,788
Unrestricted	<u>1,112,899</u>	<u>(249,280)</u>	<u>370,552</u>	<u>1,234,171</u>	<u>593,873</u>
Total net position	<u>\$8,622,609</u>	<u>\$2,835,884</u>	<u>\$ 742,648</u>	<u>\$12,201,141</u>	<u>\$10,801,505</u>

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

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

For the Year Ended June 30, 2018

	Water	Sewer	Non Major Proprietary	Total 2018	Memorandum 2017
Operating revenues:					
Charges for services	\$ 1,183,340	\$ 1,659,524	\$ 215,409	\$ 3,058,273	\$ 2,590,482
Impact fees	292,908	88,601	-	381,509	230,225
Other	4,771	-	-	4,771	4,183
Total operating revenues	<u>1,481,019</u>	<u>1,748,125</u>	<u>215,409</u>	<u>3,444,553</u>	<u>2,824,890</u>
Operating expenses:					
Wages and benefits	145,218	122,832	18,775	286,825	314,580
Professional fees	26,078	2,816	1,068	29,962	15,068
Disposal and treatment	-	1,104,017	-	1,104,017	1,033,649
Utilities	103,244	-	-	103,244	59,743
Repairs and maintenance	177,050	30,155	47,939	255,144	324,038
Other	168,553	113,680	20,526	302,759	287,068
Facilities	20,253	11,448	-	31,701	26,655
Depreciation	254,189	133,288	27,619	415,096	382,060
Total operating expenses	<u>894,585</u>	<u>1,518,236</u>	<u>115,927</u>	<u>2,528,748</u>	<u>2,442,861</u>
Operating income (loss)	<u>586,434</u>	<u>229,889</u>	<u>99,482</u>	<u>915,805</u>	<u>382,029</u>
Non-operating revenues (expenses):					
Interest income	14,432	563	2,911	17,906	8,714
Gain(loss) on disposal of assets	(60,184)	-	-	(60,184)	(7,241)
Interest expense	(5,175)	(15,367)	(1,689)	(22,231)	(25,796)
Transfers in (out)	-	4,000	(4,000)	-	106,965
Property tax	-	32,911	-	32,911	32,911
Contributed capital	168,631	269,431	77,367	515,429	400,147
Total non-operating revenue (expense)	<u>117,704</u>	<u>291,538</u>	<u>74,589</u>	<u>483,831</u>	<u>515,700</u>
Change in net position	704,138	521,427	174,071	1,399,636	897,729
Total net position, beginning	7,918,471	2,314,457	568,577	10,801,505	9,903,776
Total net position, ending	<u>\$ 8,622,609</u>	<u>\$ 2,835,884</u>	<u>\$ 742,648</u>	<u>\$ 12,201,141</u>	<u>\$ 10,801,505</u>

NORTH LOGAN CITY
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2018

	Water	Sewer	Non Major Proprietary	Total 2018	Memorandum 2017
Cash flows from operating activities					
Receipts from customers and users	\$ 1,460,872	\$ 1,694,684	\$ 215,766	\$ 3,371,322	\$ 2,827,786
Payments to suppliers	(332,253)	(1,385,969)	(79,866)	(1,798,088)	(1,634,847)
Payments to employees	(145,218)	(122,832)	(18,775)	(286,825)	(314,580)
Net cash provided by operating activities	983,401	185,883	117,125	1,286,409	878,359
Cash flows from capital and related financing activities					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(180,000)	(75,641)	(31,489)	(287,130)	(252,064)
Interest paid on capital debt	(5,175)	(15,367)	(1,689)	(22,231)	(25,796)
Purchases of capital assets	(238,939)	(132,151)	(6,202)	(377,292)	(481,124)
Net cash used by capital and related financing activities	(424,114)	(190,248)	(39,380)	(653,742)	(726,073)
Cash flows from investing activities					
Interest received	14,432	563	2,911	17,906	8,714
Net cash provided by investing activities	14,432	563	2,911	17,906	8,714
Net increase (decrease) in cash and cash equivalents	573,719	(3,802)	80,656	650,573	161,000
Cash and equivalents, beginning	578,743	184,090	277,709	1,040,542	879,542
Cash and equivalents, ending	<u>\$ 1,152,462</u>	<u>\$ 180,288</u>	<u>\$ 358,365</u>	<u>\$ 1,691,115</u>	<u>\$ 1,040,542</u>
Presented in financial statements:					
Cash & cash equivalents	\$ 955,486	\$ -	\$ 358,365	\$ 1,313,851	\$ 718,825
Restricted cash	196,976	180,288	-	377,264	321,717
Total cash and cash equivalents	<u>\$ 1,152,462</u>	<u>\$ 180,288</u>	<u>\$ 358,365</u>	<u>\$ 1,691,115</u>	<u>\$ 1,040,542</u>

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

NORTH LOGAN CITY
Statement of Cash Flows

Continued

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2018	2017
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 586,434	\$ 229,889	\$ 99,482	\$ 915,805	\$ 382,029
Adjustments to reconcile net income from to net cash provided by operating activities:					
Depreciation	254,189	133,288	27,619	415,096	382,060
Changes in assets & liabilities:					
Decrease (increase) in receivables	(20,147)	(53,441)	357	(73,231)	2,896
Decrease (increase) in interfund receivables	262,861	(262,861)	-	-	-
Decrease (increase) in deferred outflows	26,360	(6,169)	877	21,068	33,563
Increase (decrease) in accruals	(141,967)	118,562	(10,409)	(33,814)	(42,938)
Increase (decrease) in deferred inflows	15,671	22,615	3,199	41,485	21,025
Miscellaneous expense/transfers	-	4,000	(4,000)	-	99,724
Total adjustments	396,967	(44,006)	17,643	370,604	496,330
Net cash provided (used) by operating activities	<u>\$ 983,401</u>	<u>\$ 185,883</u>	<u>\$ 117,125</u>	<u>\$ 1,286,409</u>	<u>\$ 878,359</u>
Non cash transactions:					
Capital contributions	<u>\$ 168,631</u>	<u>\$ 269,431</u>	<u>\$ 77,367</u>	<u>\$ 515,429</u>	<u>\$ 400,147</u>

NORTH LOGAN CITY
Notes to the Financial Statements

For the Year Ended June 30, 2018

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 upon receipt of Logan City billings.

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 \$142,850 in library funding for the year ended June 30, 2018.

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 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	\$ 33,746,571
Accumulated depreciation	(16,610,566)
Total difference	<u>\$ 17,136,005</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 notes and leases	\$ (339,148)
Compensated absences	(112,791)
	<u>\$ (451,939)</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	\$ 31,681
Net pension liability	(362,733)
Deferred outflow of resources - pension	378,339
Deferred inflow of resources - pension	(559,702)
	<u>\$ (512,415)</u>

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

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

Capital outlay	\$ 1,556,978
Contributed capital	3,485,186
Loss on disposal of assets	(28,256)
Depreciation expense	(929,142)
	<u>\$ 4,084,766</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 note payable	\$ 111,628
Repayment of capital lease principal	46,687
Change in accrued compensated absences	<u>(6,331)</u>
	<u><u>\$ 151,984</u></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, 2017.

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 Utah Money Management 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, 2018, \$85,893 of the local government's bank balances of \$335,893 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 Utah 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, 2018, the City had the following recurring fair value measurements.

Investments by fair value level	6/30/2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers' Investment	\$4,165,341	\$ -	\$4,165,341	\$ -
Total investments measured at fair value	<u>\$4,165,341</u>	<u>\$ -</u>	<u>\$4,165,341</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, 2018 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 five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

As of June 30, 2018, 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' Investment	\$4,165,341	\$4,165,341	\$ -	\$ -
Total investments measured at fair value	\$4,165,341	\$4,165,341	\$ -	\$ -

4. ACCOUNTS RECEIVABLE

The City had accounts receivable as of June 30, 2018, as follows:

Property tax	\$ 1,606,931	
Sales tax	202,818	
Sewer	154,727	(net of \$18,804 allowance)
Garbage and dispatch fee	86,073	(net of \$10,461 allowance)
Class C Road funds	76,056	
Water	138,560	(net of \$16,839 allowance)
Court	12,346	(net of \$87,422 allowance)
Other receivables	15,336	
Energy use tax	43,453	
Storm water	18,737	(net of \$2,277 allowance)
Total	<u>\$ 2,355,037</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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT

Long-term debt at June 30, 2018, consisted of the following:

	<u>7/1/2017</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/2018</u>	<u>Due in 1 yr.</u>
Water fund:					
US Bank Trust \$1,185,000 due in annual installments ranging from \$160,000 to \$180,000 per year plus interest ranging from 2% to 3%.	\$180,000	\$ -	\$180,000	\$ -	\$ -
Total water fund				<u>\$ -</u>	<u>\$ -</u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including interest at 5%.	\$192,222	\$ -	\$ 49,885	\$142,337	\$ 51,309
GMAC; \$560,000 due in monthly installments of \$32,911 including interest at 5%.	111,149	-	25,756	85,393	28,689
Total sewer fund				<u>\$227,730</u>	<u>\$ 79,998</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 \$81,100 and depreciation of \$23,171.	\$ 97,192	\$ -	\$ 31,489	\$ 65,703	\$ 32,334
Total storm water fund				<u>\$ 65,703</u>	<u>\$ 32,334</u>
RDA fund:					
Developer note payable for \$1,000,000 due as available from tax increment subsidies of approximately \$173,000 over 5 years.	\$402,375	\$ -	\$111,628	\$290,747	\$ 290,747
Total RDA fund				<u>\$290,747</u>	<u>\$ 290,747</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT – *continued*

General fund:

Capital lease; \$71,426 due in monthly installments of \$1,296 including interest of 3.39%, asset value \$71,426 with accumulated depreciation of \$49,998 and depreciation of \$14,285.	29,982	-	14,762	15,220	15,220
Capital lease; \$159,696 due in annual installments of \$34,487 including interest of 3.865%, asset value \$159,696 with accumulated depreciation of \$55,894 and depreciation of \$15,970.	65,106	-	31,925	33,181	33,181
Total general fund				<u>\$ 48,401</u>	<u>\$ 48,401</u>
Total long-term debt				<u>\$632,581</u>	<u>\$ 451,480</u>

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

The annual requirements to amortize long-term debt outstanding as of June 30, 2018, were as follows:

<u>June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2019	\$ 451,480	\$ 14,352
2020	181,101	6,380
Totals	<u>\$ 632,581</u>	<u>\$ 20,732</u>

7. PENSION PLANS

General Information about the Pension Plan

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.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing public employees, retirement systems.

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

The Utah Retirement Systems (URS or Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

Summary of Benefits by System:

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		
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*

Contribution Rate Summary

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

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
11- Local Governmental Division Tier 1	6.00%	14.46%	N/A
111- Local Governmental Division Tier 2	N/A	15.11%	1.58%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety System Contributory:			
77 - Other Division A with 4% COLA	12.29%	24.33%	N/A
122 - Tier 2 DB Hybrid Public Safety	N/A	23.73%	1.26%
Noncontributory			
75 - Other Division A with 4% COLA	N/A	35.71%	N/A
Firefighters Retirement System			
31- Other Division A	15.05%	3.93%	N/A
132- Tier 2 DB Hybrid Firefighters	N/A	10.82%	1.26%
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, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory system	\$ 107,796	N/A
Firefighters system	6,034	-
Tier 2 public employees system	60,915	-
Tier 2 public safety and firefighter	814	-
Total contributions	<u>\$ 175,559</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.

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

At June 30, 2018, we reported a net pension asset of \$31,681 and a net pension liability of \$421,783.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2016	Change (Decrease)
Noncontributory system	\$ -	\$ 394,613	0.0900675%	0.1021861%	-0.0121186%
Contributory system	-	24,329	0.2989745%	0.3581704%	-0.0591959%
Public safety system	-	-	0.0000000%	0.0599182%	-0.0599182%
Firefighters system	31,681	-	0.5072530%	0.3950045%	0.1122485%
Tier 2 public employees system	-	2,841	0.0322191%	0.0236957%	0.0085234%
Tier 2 public safety and firefighter system	-	-	0.0000000%	0.0168290%	-0.0168290%
Total net pension asset/liability	<u>\$ 31,681</u>	<u>\$ 421,783</u>			

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

The net pension asset and liability were measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018, we recognized pension expense of \$77,173.

At June 30, 2018, 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	\$ 8,908	\$ 41,766
Changes in assumptions	188,806	19,711
Net difference between projected and actual earnings on pension plan investments	137,313	351,510
Changes in proportion and differences between contributions and proportionate share of contributions	19,129	237,829
Contributions subsequent to the measurement date	85,772	-
Total	<u>\$ 439,928</u>	<u>\$ 650,816</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – continued

\$85,772 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
2018	\$ (82,466)
2019	(63,061)
2020	(87,177)
2021	(74,486)
2022	4,962
Thereafter	5,569

Actuarial assumptions – The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25-9.75%, average, including inflation
Investment rate of return	6.95%, 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, 2017, valuation were based on the results of an actuarial experience study for the five-year period of ending December 31, 2016.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

7. PENSION PLANS – *continued*

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

Asset class	Expected Return Arithmetic Basis		Long-Term expected portfolio real rate of return
	Target Asset Allocation	Real Return Arithmetic Basis	
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95 percent assumed investment rate of return is comprised of an inflation rate of 2.50 percent, a real return of 4.45 percent that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 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 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.95 percent) or one-percentage-point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory system	\$ 1,067,218	\$ 394,613	\$ (164,625)
Contributory system	164,951	24,329	(93,629)
Firefighters system	135,172	(31,681)	(166,500)
Tier 2 public employees system	33,448	2,841	(20,762)
Total	<u>\$ 1,400,789</u>	<u>\$ 390,102</u>	<u>\$ (445,516)</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

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

	2018	2017	2016
401(k) Plan			
Employer contributions	\$ 21,328	\$ 21,904	\$ 39,745
Employee contributions	\$ 45,874	\$ 30,404	\$ 30,029
457 Plan			
Employee contributions	\$ 8,538	\$ 660	\$ 780

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

8. CHANGES IN FIXED ASSETS

Fixed asset changes occurring for the year ended June 30, 2018 were as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,773,752	\$ 3,235,955	\$ -	\$ 7,009,707
Construction in progress	-	-	-	-
Total capital assets not being depreciated	3,773,752	3,235,955	-	7,009,707
Capital assets being depreciated:				
Distribution and collection systems	16,470,055	700,102	-	17,170,157
Buildings and equipment	8,467,549	1,106,107	6,949	9,566,707
Total capital assets being depreciated	24,937,604	1,806,209	6,949	26,736,864
Accumulated depreciation	(15,687,678)	(929,142)	(6,254)	(16,610,566)
Total capital assets being depreciated, net	9,249,926	877,067	695	10,126,298
Total governmental activities capital assets, net	\$ 13,023,678	\$ 4,113,022	\$ 695	\$ 17,136,005
Business-type activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 474,409	\$ -	\$ -	\$ 474,409
Construction in progress	-	-	-	-
Total capital assets not being depreciated	474,409	-	-	474,409
Capital assets being depreciated:				
Distribution and collection systems	16,688,605	800,468	104,431	17,384,642
Buildings and equipment	1,354,427	119,302	42,076	1,431,653
Total capital assets being depreciated	18,043,032	919,770	146,507	18,816,295
Accumulated depreciation for:				
Structures and systems	(8,047,942)	(415,096)	(59,274)	(8,403,764)
Total capital assets being depreciated, net	9,995,090	504,674	87,233	10,412,531
Total business-type activities capital assets, net	\$ 10,469,499	\$ 504,674	\$ 87,233	\$ 10,886,940

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

8. CHANGES IN FIXED ASSETS – *continued*

Depreciation expense was charged to governmental functions as follows:

General government	\$ 10,300
Public safety	53,754
Streets	562,054
Parks & recreation	<u>303,034</u>
Total depreciation expense	<u>\$ 929,142</u>

9. RELATED PARTY TRANSACTIONS

The City receives police services from North Park Police Agency (NPPA) under the terms of an interlocal agreement with Hyde Park City. Two council members, the mayor, and a citizen of North Logan City serve on the governing body of NPPA. Under the interlocal agreement, each city provides funding to NPPA based on an agreed-upon formula. Total funding provided by North Logan City for the year ended June 30, 2018 amounted to \$1,008,094.

10. INTERFUND TRANSFERS

The City had an interfund balance owed from the Sewer fund to the Water fund of \$122,049 to cover negative cash positions.

The composition of interfund transfers as of June 30, 2018 is as follows:

Purpose	Amount	Transfer In	Transfer Out
Equipment	\$ 100,000	Capital Projects	General
Fire department	60,000	Capital Projects	General
Equipment	4,000	Sewer	Storm Water

11. 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 \$120,018 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 \$240,229. Based on past experience 20 percent of sick hours would be used in a year.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

12. OPERATING LEASES

The City has various operating leases for equipment and vehicles and paid \$18,985 in rental payments for the year. The future payments are as follows:

2019	\$ 11,703
2020	<u>-</u>
Total	<u>\$ 11,703</u>

13. 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.

14. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 18, 2018, the date the financial statements were available to be issued.

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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, 2018

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory system	2015	0.1120130%	\$ 486,387	\$ 946,667	51.38%	90.20%
	2016	0.1186791%	671,544	1,005,100	66.81%	87.80%
	2017	0.1021861%	656,160	879,705	74.59%	87.30%
	2018	0.0900675%	394,613	728,102	54.20%	91.90%
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%
	2018	0.2989745%	24,329	60,667	40.10%	98.20%
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%
	2018	0.5072530%	(31,681)	148,382	-21.35%	103.00%
Tier 2 public employees system*	2015	0.0232330%	\$ (701)	\$ 113,431	-0.62%	103.50%
	2016	0.0240126%	(52)	155,141	-0.03%	100.20%
	2017	0.0236957%	2,643	194,325	1.36%	95.10%
	2018	0.0322191%	2,841	314,874	0.90%	97.40%
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%
	2018	0.0000000%	-	-	0.00%	103.00%

NORTH LOGAN CITY
Schedule of Contributions

For the Year Ended June 30, 2018

	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%
	2018	107,796	107,796	-	590,586	18.25%
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%
	2018	6,034	6,034	-	153,653	3.93%
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%
	2018	60,915	60,915	-	403,339	15.10%
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%
	2017	-	-	-	-	0.00%
	2018	814	814	-	7,519	10.83%
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, 2018

1. Changes in Assumptions:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20 percent to 6.95 percent, a reduction in the price inflation assumption from 2.60 percent to 2.50 percent (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00 percent annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

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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, 2018

	Storm water	Total 2018	Memorandum 2017
Assets			
Cash and cash equivalents	\$ 358,365	\$ 358,365	\$ 277,709
Accounts receivable	18,737	18,737	19,094
Total current assets	377,102	377,102	296,803
Capital assets			
Distribution and collection systems	295,307	295,307	211,738
Buildings and equipment	232,467	232,467	232,467
Less accumulated depreciation	(88,286)	(88,286)	(60,667)
Total noncurrent assets	439,488	439,488	383,538
Deferred outflows of resources-pensions	4,399	4,399	5,276
Total assets	<u>\$ 820,989</u>	<u>\$ 820,989</u>	<u>\$ 685,617</u>
Liabilities			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,461
Accrued payables	223	223	3,491
Accrued interest payable	1,689	1,689	2,608
Capital lease payable - due within a year	32,334	32,334	31,489
Total current liabilities	34,246	34,246	39,049
Noncurrent liabilities:			
Pension liability	4,218	4,218	8,979
Capital lease payable - due in more than one year	33,369	33,369	65,703
Total noncurrent liabilities	37,587	37,587	74,682
Total liabilities	71,833	71,833	113,731
Deferred inflow of resources- pensions	6,508	6,508	3,309
Total liabilities and deferred inflows	78,341	78,341	117,040
Net position			
Net investment in capital assets	372,096	372,096	286,346
Unrestricted	370,552	370,552	282,231
Total net position	742,648	742,648	568,577
Total liabilities and net position	<u>\$ 820,989</u>	<u>\$ 820,989</u>	<u>\$ 685,617</u>

NORTH LOGAN CITY**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds****For the year ended June 30, 2018**

	Storm Water	Total 2018	Memorandum 2017
Operating revenues			
Charges for services	\$ 215,409	\$ 215,409	\$ 208,637
Total operating revenues	215,409	215,409	208,637
Operating expenses			
Wages and benefits	18,775	18,775	24,952
Professional fees	1,068	1,068	3,481
Repairs and maintenance	47,939	47,939	48,160
Other	20,526	20,526	17,892
Facilities	-	-	3,609
Depreciation	27,619	27,619	24,519
Total operating expenses	115,927	115,927	122,613
Operating income (loss)	99,482	99,482	86,024
Non-operating expenses			
Interest income	2,911	2,911	1,713
Interest expense	(1,689)	(1,689)	(2,608)
Transfers	(4,000)	(4,000)	(4,000)
Contributed capital	77,367	77,367	120,369
Total non-operating expenses	74,589	74,589	115,474
Change in net position	174,071	174,071	201,498
Net position, beginning	568,577	568,577	367,079
Net position, ending	\$ 742,648	\$ 742,648	\$ 568,577

NORTH LOGAN CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds

For the year ended June 30, 2018

	Storm Water	Total 2018	Memorandum 2017
Cash flows from operating activities			
Receipts from customers and users	\$ 215,766	\$ 215,766	\$ 208,976
Payments to suppliers	(79,866)	(79,866)	(89,378)
Payments to employees	(18,775)	(18,775)	(24,952)
Net cash provided (used) by operating activities	117,125	117,125	94,646
Cash flows from capital and related financing activities			
Principal paid on capital debt	(31,489)	(31,489)	-
Interest paid on capital debt	(1,689)	(1,689)	(2,608)
Purchases of capital assets	(6,202)	(6,202)	(63,050)
Net cash used by capital and related financing activities	(39,380)	(39,380)	(65,658)
Cash flows from investing activities			
Interest received	2,911	2,911	1,713
Net cash provided by investing activities	2,911	2,911	1,713
Net increase (decrease) in cash and cash equivalents	80,656	80,656	30,701
Cash and equivalents, beginning	277,709	277,709	247,008
Cash and equivalents, ending	\$ 358,365	\$ 358,365	\$ 277,709
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 99,482	\$ 99,482	\$ 86,024
Adjustments to reconcile net income from operations to net cash provided by operating:			
Depreciation	27,619	27,619	24,519
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	357	357	339
Decrease (increase) in deferred outflows	877	877	6,253
Increase (decrease) in accruals	(10,409)	(10,409)	(18,787)
Increase (decrease) in deferred inflows	3,199	3,199	298
Total adjustments	17,643	17,643	8,622
Net cash provided (used) by operating activities:	\$ 117,125	\$ 117,125	\$ 94,646
Non cash transactions:			
Donated infrastructure	\$ 77,367	\$ 77,367	\$ 120,369

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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, 2018, 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 18, 2018.

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 2018-1 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 18, 2018



**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, 2018.

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Restricted Revenue
- Open and Public Meetings Act
- Public Treasurer's Bond
- Cash Management
- Enterprise Fund Transfers, Reimbursements, Loans and Services
- Tax Levy Revenue Recognition

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 Fund Balance and Open and Public Meetings Act

As described in the accompanying schedule of findings and recommendations, the City did not comply with requirements regarding Fund Balance and Open and Public Meetings Act (see 2018-2 through 2018-3). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to Fund Balance and Open and Public Meetings Act.

Qualified Opinion on Fund Balance and Open and Public Meetings Act

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, 2018.

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 or the year ended June 30, 2018.

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 2018-2, and 2018-3 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 18, 2018

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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NORTH LOGAN CITY
Schedule of Findings and Recommendations – Current Year

For the Year Ended June 30, 2018

2018-1: Audit Adjustments

Material Weakness in Internal Control over Financial Reporting

Criteria: The City and its management are responsible to determine that internal controls ensure that accounting transactions are recorded accurately, and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Condition: As part of our audit we identified misstatements related to accounts payable, fixed assets, and restricted cash and equity.

Cause: The City failed to identify some year-end activity that should have been recorded in the general ledger.

Effect: The audit adjustments were proposed before the misstatement could be detected and corrected by the City's accounting staff.

Recommendation: The City should ensure that its internal control process over financial reporting results in the proper reconciliation of all accounts on a timely basis.

Views of Responsible Officials: City Officials, including the City Recorder, City Administrator, and City Treasurer will meet intermittently (throughout the fiscal year) in the future to ensure that any proposed adjustments/activity, especially near the year's end are identified, and up to date.

2018-2: State Compliance – Open and Public Meetings Act (Material Weakness)

Criteria: The City and its management are responsible to determine that internal controls ensure that compliance requirements described in the State Compliance Audit Guide are met.

Condition: As part of our audit we identified the following items: (a) the executive session portion of the meeting did not record correctly (no sound) in one meeting tested; (b) action was taken during the meeting on an item that was not included in the agenda; and (c) recordings of pending minutes were not available within three days of the meeting (some meetings were not approved for 5 months after the meeting was held).

Cause: The City did not record the executive session as required by state law, post minutes timely and acted on an item that was not on the agenda.

Effect: Utah State law was not followed in regard to the Open and Public Meetings Act.

NORTH LOGAN CITY

Schedule of Findings and Recommendations – Current Year

Continued

Recommendation: Record all required executive meeting sessions, act on items that have been included on the agenda, and approve and post council meetings on a timely basis.

Views of Responsible Officials: We are pleased to announce that as of December 31, 2018, all minutes are up to date. The City will ensure that future minutes are provided in a timely manner, and that minutes will be approved and posted within the required time. In addition, the City will provide a backup recorder to help prevent loss of executive minutes in the event of a technical malfunction similar to the one referred to above.

2018-3: State Compliance – Fund Balance (Material Weakness)

Criteria: The City and its management are responsible to determine that internal controls ensure that compliance requirements described in the State Compliance Audit Guide are met.

Condition: As part of our audit we identified that the sewer fund had a deficit fund balance and the City did not budget to reduce the deficit by the required amount.

Cause: The city had a deficit unreserved fund balance at the end of the year but did not make enough of an appropriation in the 2019 budget to retire the deficit as required by state law.

Effect: The 2019 sewer fund budget appropriated \$82 to retire the deficit but was required to budget for a minimum of \$87,400 deficit reduction.

Recommendation: Appropriate the amount of the sewer unreserved fund deficit reduction as required by law.

Views of Responsible Officials: The City intends to retire the sewer fund deficit in the current fiscal year. The budget will be adjusted in the coming month to account for the \$5,400 shortfall in the sewer fund.

NORTH LOGAN CITY
Schedule of Findings and Recommendations – Prior Year

For the Year Ended June 30, 2018

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 – Prior Year

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.

Status:

Management has implemented many new procurement policies as outlined above during the current fiscal year.

NORTH LOGAN CITY
Schedule of Findings and Recommendations – Prior Year

Continued

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.

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.

Status: See finding 2018-1

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 2018 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.

Status: See finding 2018-3

NORTH LOGAN CITY
Schedule of Findings and Recommendations – Prior Year

Continued

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.

Status: See finding 2018-2

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.

Status: All funds were within budgeted amounts for expenditures as of June 30, 2018.