



North Logan City

Financial Statements  
June 30, 2019

**Allred Jackson, PC**  
50 East 2500 North, Suite 200  
North Logan, UT 84341  
(P) 435.752.6441  
(F) 435.752.6451  
[www.allredjackson.com](http://www.allredjackson.com)



**NORTH LOGAN CITY**  
**Table of Contents**

---

**INTRODUCTORY SECTION:**

Letter of transmittal..... 3

**FINANCIAL SECTION:**

Independent Auditor's Report ..... 7

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

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position..... 17

Statement of Activities ..... 19

Fund Financial Statements:

Balance Sheet – Governmental Funds..... 20

Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds..... 21

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities..... 22

Statement of Revenues, Expenditures, and Changes in Fund  
Balances – Budget and Actual – General Fund..... 23

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and  
Actual – Library and RDA Funds ..... 25

Statement of Net Position – Proprietary Funds ..... 26

Statement of Revenues, Expenses, and Changes in Fund Net  
Position – Proprietary Funds..... 28

Statement of Cash Flows – Proprietary Funds ..... 29

Notes to the Financial Statements..... 31

**NORTH LOGAN CITY**  
**Table of Contents**

***Continued***

---

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of the Proportionate Share of the Net Pension Liability.....	59
Schedule of Contributions.....	61
Notes to the Required Supplementary Information .....	63

**SUPPLEMENTAL INFORMATION:**

Report on Compliance and Internal Control .....	67
State Legal Compliance Report .....	69

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

Schedule of Findings and Recommendations – Current Year .....	75
Schedule of Findings and Recommendations – Prior Year .....	77

## **INTRODUCTORY SECTION**

**This page intentionally left blank.**

DAMON CANN  
MAYOR



ALAN LUCE  
CITY ADMINISTRATOR

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

November 22, 2019

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, 2019, 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, 2019, 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, 2019, 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, 2019, 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 Damon Cann  
North Logan City



## **FINANCIAL SECTION**

**This page intentionally left blank.**



## **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, and each major fund of North Logan City, Utah (the "City"), as of and for the year ended June 30, 2019, 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, and each major fund of North Logan City, as of June 30, 2019, 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 on pages 11-16 and 59-63 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 the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Very truly yours,

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

Allred Jackson

North Logan, UT  
November 22, 2019

**This page intentionally left blank.**

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

**For the Year Ended June 30, 2019**

---

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, 2019.

### **FINANCIAL HIGHLIGHTS**

- The total net position of North Logan City increased 10 percent to \$33,967,094.
- The total net position of \$33,967,094 was made up of \$28,866,123 in capital assets net of related debt and \$1,286,459 of restricted net position and \$3,814,512 of unrestricted net position.
- In the General Fund, revenues exceeded expenditures by \$279,485.
- Total long-term debt of the City was decreased by \$75,224.
- Total net position of business-type activities increased by \$1,234,938.

### **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 17-19 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 should also 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, sewer utility, and storm water utility funds meet the criteria of major fund classification.



**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 \$33,967,094.

The greatest portion of North Logan City's net position (85%) 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, 2019:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 4,785,714	\$ 3,562,759	\$ 2,500,805	\$ 1,625,875
Non current assets	971,305	1,197,813	318,752	377,264
Capital assets	18,040,343	17,136,005	11,392,478	10,886,940
Deferred outflow of resources	315,407	378,339	60,077	61,589
Total assets and deferred outflows	24,112,769	22,274,916	14,272,112	12,951,668
Long-term debt outstanding	228,643	339,148	328,714	293,433
Other liabilities	1,355,423	1,035,482	470,068	365,980
Deferred inflow of resources	1,997,688	2,153,109	37,251	91,114
Total liabilities and deferred inflows	3,581,754	3,527,739	836,033	750,527
Net position				
Net investment in capital assets	17,811,700	16,796,857	11,054,423	10,589,706
Restricted	967,707	1,166,132	318,752	377,264
Unrestricted	1,751,608	784,188	2,062,904	1,234,171
Total net position	<u>\$20,531,015</u>	<u>\$18,747,177</u>	<u>\$13,436,079</u>	<u>\$12,201,141</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, 2019:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Charges for services	\$ 2,070,577	\$ 1,880,229	\$ 3,616,358	\$ 3,063,044
Dedicated property tax	863,726	734,875	32,911	32,911
Operating grants & contributions	651,596	580,094	-	-
Capital grants & contributions	815,954	4,887,925	792,269	896,938
General revenues:				
Property taxes	882,444	803,734	-	-
Other taxes	3,665,143	3,595,355	-	-
Investment income	100,833	41,395	25,082	17,906
Other revenues	106,965	41,557	-	-
Total revenues	9,157,238	12,565,164	4,466,620	4,010,799
Expenses:				
General government	736,155	952,368	-	-
Public safety	1,916,594	1,742,296	-	-
Streets	1,750,054	1,878,975	-	-
Public works	42,442	37,902	-	-
Sanitation	1,026,500	842,872	-	-
Parks & recreation	1,501,046	1,255,237	-	-
Community development	393,609	472,827	-	-
Water	-	-	1,215,254	959,944
Sewer	-	-	1,750,850	1,533,603
Storm water	-	-	272,578	117,616
Total expenses	7,366,400	7,182,477	3,238,682	2,611,163
Transfers in (out)	(7,000)	-	7,000	-
Increase (decrease) in net position	1,783,838	5,382,687	1,234,938	1,399,636
Net position, beginning	18,747,177	13,364,490	12,201,141	10,801,505
Net position, ending	\$ 20,531,015	\$ 18,747,177	\$ 13,436,079	\$ 12,201,141

## **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, 2019, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$3,214,873. This represents an increase of \$639,347 (25%) 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 60 percent of total general fund revenues. The largest element was sales tax, which represented 66 percent of total tax revenues and 39 percent of total General Fund revenues. This compares with 36 percent in the prior fiscal year ended June 30, 2018.

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

Significant changes in the governmental funds included an increase in capital assets through contribution and acquisition of \$904,338 and a decrease in long-term debt of \$110,505 due to bond and capital lease principal payments.

Significant changes in business-type activities included a decrease in long-term debt of \$187,759 due to bond and capital lease principal payments, an increase in a new capital lease of \$223,040 and an increase in capital assets through contributions and acquisition of \$505,538.

## **GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$7,258,829, which increased five percent to \$7,588,011 due to increased costs associated with general government and public safety.

The Library Fund original budget for expenditures was \$716,807, which was decreased 17 percent to \$591,620 to reflect an overall decrease in general operation costs.

The RDA Fund original budget for expenditures was \$238,600, which was decreased 14 percent to \$203,954 due to lower than anticipated 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, 2019, totaled \$29,432,821. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City's investment in fixed assets increased by five percent due to capital asset additions being greater than current year depreciation.

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

- \$264,317 for sewer system improvements.
- \$582,411 for water improvements.
- \$11,866 for storm water improvements.
- \$1,066,064 for road improvements.
- \$430,013 for park improvements and equipment.
- \$701,818 for buildings and equipment
- \$60,202 for land acquisition.

	Governmental Activities	Business-type Activities
Land & water shares	\$ 7,069,909	\$ 474,409
Buildings and equipment	10,079,633	1,446,514
Systems	18,236,221	18,243,236
Less: accumulated depreciation	(17,345,420)	(8,771,681)
Total	<u>\$ 18,040,343</u>	<u>\$ 11,392,478</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, 2019, the City had total bonded debt outstanding of \$147,535. Of this amount \$56,704 is considered to be general obligation debt and backed by the full faith and credit of the City and \$90,831 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Other obligations included a capital lease at \$181,179 and a note payable to a developer for \$228,643. The City's debt decreased by \$75,224 during the fiscal year. See the footnotes for additional information on the debt obligations of the City.

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ -	\$ 56,704
Capital lease and notes payable	228,643	181,179
Revenue bonds	-	90,831
Total outstanding debt	<u>\$ 228,643</u>	<u>\$ 328,714</u>

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

**As of June 30, 2019**

	Governmental Activities	Business-type Activities	Total 2019	Memorandum 2018
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,455,968	\$ 2,191,642	\$ 4,647,610	\$ 2,776,814
Account receivable, net	2,276,879	309,163	2,586,042	2,355,037
Prepaid expense	52,867	-	52,867	56,783
Total current assets	4,785,714	2,500,805	7,286,519	5,188,634
Noncurrent assets:				
Restricted cash	971,305	318,752	1,290,057	1,543,396
Capital assets:				
Land and water shares	7,069,909	474,409	7,544,318	7,484,116
Distribution and collection systems	18,236,221	18,243,236	36,479,457	34,554,799
Buildings and equipment	10,079,633	1,446,514	11,526,147	10,998,360
Less: accumulated depreciation	(17,345,420)	(8,771,681)	(26,117,101)	(25,014,330)
Total capital assets	18,040,343	11,392,478	29,432,821	28,022,945
Pension asset	-	-	-	31,681
Total noncurrent assets	19,011,648	11,711,230	30,722,878	29,598,022
Total assets	23,797,362	14,212,035	38,009,397	34,786,656
Deferred outflow of resources - pensions	315,407	60,077	375,484	439,928
Total assets & deferred outflows of resources	\$ 24,112,769	\$ 14,272,112	\$ 38,384,881	\$ 35,226,584

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 2019	Memorandum 2018
<b>Liabilities &amp; Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable	\$ 616,782	\$ 326,878	\$ 943,660	\$ 713,513
Accrued expense	84,905	11,611	96,516	95,189
Deposits	38,339	20,370	58,709	47,158
Accrued interest payable	-	9,341	9,341	3,801
Bonds payable within one year	228,643	116,440	345,083	451,480
Total current liabilities	968,669	484,640	1,453,309	1,311,141
Noncurrent liabilities:				
Net pension liability	496,865	94,641	591,506	421,783
Bonds and leases payable	-	212,274	212,274	181,101
Accrued compensated absences	118,532	7,227	125,759	120,018
Total noncurrent liabilities	615,397	314,142	929,539	722,902
Deferred inflows of resources - pensions	195,568	37,251	232,819	650,816
Deferred inflows of resources - property taxes	1,802,120	-	1,802,120	1,593,407
Total liabilities & deferred inflows of resources	3,581,754	836,033	4,417,787	4,278,266
<b>Net Position</b>				
Net investment in capital assets	17,811,700	11,054,423	28,866,123	27,386,563
Restricted for:				
Debt service	-	162,640	162,640	158,156
Impact fees/park projects	920,063	156,112	1,076,175	1,338,118
Grants and contributions	47,644	-	47,644	47,122
Unrestricted	1,751,608	2,062,904	3,814,512	2,018,359
Total net position	\$ 20,531,015	\$ 13,436,079	\$ 33,967,094	\$ 30,948,318

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

**For the Year Ended June 30, 2019**

	Program Revenues					Net Governmental Activities	Business-type Activities	Total 2019	Memorandum 2018
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions				
Governmental activities:									
General government	\$ 736,155	\$ 414,060	\$ -	\$ 600	\$ -	\$ (321,495)	\$ -	\$ (321,495)	\$ (496,440)
Public safety	1,916,594	464,892	-	6,175	48,703	(1,396,824)	-	(1,396,824)	(1,364,295)
Streets	1,750,054	24,880	-	461,045	542,511	(721,618)	-	(721,618)	2,675,971
Public works	42,442	-	-	-	-	(42,442)	-	(42,442)	(37,902)
Sanitation	1,026,500	986,462	-	-	-	(40,038)	-	(40,038)	26,170
Parks and recreation	1,501,046	180,283	387,714	183,776	224,740	(524,533)	-	(524,533)	233,697
Community development	393,609	-	476,012	-	-	82,403	-	82,403	(136,555)
Total governmental activities	7,366,400	2,070,577	863,726	651,596	815,954	(2,964,547)	-	(2,964,547)	900,646
Business-type activities:									
Water	1,215,254	1,244,399	-	-	455,145	-	484,290	484,290	689,706
Sewer	1,750,850	2,149,591	32,911	-	325,258	-	756,910	756,910	516,864
Storm water	272,578	222,368	-	-	11,866	-	(38,344)	(38,344)	175,160
Total business-type activities	3,238,682	3,616,358	32,911	-	792,269	-	1,202,856	1,202,856	1,381,730
General revenues:									
Taxes:									
Property taxes levied for general purposes						882,444	-	882,444	803,734
Franchise and other taxes						657,123	-	657,123	647,779
General sales taxes & highway sales taxes						3,008,020	-	3,008,020	2,947,576
Business licenses						40,088	-	40,088	39,147
Gain (loss) on sale of assets						66,877	-	66,877	2,410
Investment income						100,833	25,082	125,915	59,301
Transfers in (out)						(7,000)	7,000	-	-
Total general revenues						4,748,385	32,082	4,780,467	4,499,947
Change in net position						1,783,838	1,234,938	3,018,776	6,782,323
Net position, beginning						18,747,177	12,201,141	30,948,318	24,165,995
Net position, ending						\$ 20,531,015	\$ 13,436,079	\$ 33,967,094	\$ 30,948,318

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

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

**As of June 30, 2019**

	General	Library	Capital Projects	RDA	Total 2019	Memorandum Total 2018
<b>Assets</b>						
Cash & cash equivalents	\$ 1,457,131	\$ 67,798	\$ 578,930	\$ 352,109	\$ 2,455,968	\$ 1,462,963
Accounts receivable, net	1,413,153	387,714	-	476,012	2,276,879	2,043,013
Prepaid expense	52,867	-	-	-	52,867	56,783
Restricted cash	971,305	-	-	-	971,305	1,166,132
Total assets	<u>\$ 3,894,456</u>	<u>\$ 455,512</u>	<u>\$ 578,930</u>	<u>\$ 828,121</u>	<u>\$ 5,757,019</u>	<u>\$ 4,728,891</u>
<b>Liabilities, deferred inflows of resources, and fund balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 596,513	\$ 20,269	\$ -	\$ -	\$ 616,782	\$ 421,910
Accrued expenses	81,429	3,476	-	-	84,905	90,890
Deposits	38,339	-	-	-	38,339	47,158
Total liabilities	<u>716,281</u>	<u>23,745</u>	<u>-</u>	<u>-</u>	<u>740,026</u>	<u>559,958</u>
Total deferred inflows of resources	<u>938,394</u>	<u>387,714</u>	<u>-</u>	<u>476,012</u>	<u>1,802,120</u>	<u>1,593,407</u>
Total liabilities and deferred inflows	<u>1,654,675</u>	<u>411,459</u>	<u>-</u>	<u>476,012</u>	<u>2,542,146</u>	<u>2,153,365</u>
<b>Fund balance:</b>						
Non spendable	52,867	-	-	-	52,867	56,783
Restricted for:						
Park impact	453,072	-	-	-	453,072	568,869
Road impact	466,991	-	-	-	466,991	550,141
Community center	47,644	-	-	-	47,644	47,122
Economic development	3,598	-	-	-	3,598	-
Assigned for:						
Recreation	10,207	-	-	-	10,207	5,937
Cemetery	456,007	-	-	-	456,007	440,546
RSL	708	-	-	-	708	700
Wildland fires	207,423	-	-	-	207,423	77,285
Elk Ridge Park	10,121	-	-	-	10,121	9,726
Special revenue funds	-	44,053	-	352,109	396,162	80,277
Capital projects funds	-	-	578,930	-	578,930	534,953
Unassigned for: general fund	531,143	-	-	-	531,143	203,187
Total fund balances	<u>2,239,781</u>	<u>44,053</u>	<u>578,930</u>	<u>352,109</u>	<u>3,214,873</u>	<u>2,575,526</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,894,456</u>	<u>\$ 455,512</u>	<u>\$ 578,930</u>	<u>\$ 828,121</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  
The cost of these assets is \$35,385,763 and \$33,746,571, respectively and the accumulated depreciation  
is \$17,345,420 and \$16,610,566, respectively.

18,040,343 17,136,005

Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are  
payable in the current period and therefore are not reported in the funds.

(347,175) (451,939)

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

(377,026) (512,415)

Total net position-governmental activities

\$ 20,531,015 \$ 18,747,177



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

**For the Year Ended June 30, 2019**

	General	Library	Capital Projects	RDA	Total 2019	Memorandum 2018
<b>Revenues:</b>						
Taxes	\$ 4,547,587	\$ 387,714	\$ -	\$ 476,012	\$ 5,411,313	\$ 5,133,964
Licenses and permits	258,389	-	-	-	258,389	381,589
Intergovernmental revenue	606,149	6,100	41,000	-	653,249	1,105,163
Charges for services	1,701,180	-	-	-	1,701,180	2,091,050
Fines	178,645	6,766	-	-	185,411	135,293
Other	197,047	184,396	4,985	5,715	392,143	230,009
Total revenues	<u>7,488,997</u>	<u>584,976</u>	<u>45,985</u>	<u>481,727</u>	<u>8,601,685</u>	<u>9,077,068</u>
<b>Expenditures:</b>						
Current operations:						
General government	891,021	-	-	-	891,021	1,045,844
Public safety	1,860,492	-	159,783	-	2,020,275	1,700,032
Streets	2,040,824	-	-	-	2,040,824	2,098,907
Public works	42,442	-	-	-	42,442	37,902
Sanitation	1,026,500	-	-	-	1,026,500	842,872
Parks and recreation	1,133,782	557,135	-	-	1,690,917	1,816,008
Community development	199,926	-	-	193,683	393,609	472,827
Total expenditures	<u>7,194,987</u>	<u>557,135</u>	<u>159,783</u>	<u>193,683</u>	<u>8,105,588</u>	<u>8,014,392</u>
Excess (deficiency) of revenues over expenditure	294,010	27,841	(113,798)	288,044	496,097	1,062,676
<b>Other financing sources (uses):</b>						
Sale of capital assets	150,250	-	-	-	150,250	2,410
Capital contributions	-	-	-	-	-	500
Transfers in (out)	(164,775)	-	157,775	-	(7,000)	-
Total other financing sources	<u>(14,525)</u>	<u>-</u>	<u>157,775</u>	<u>-</u>	<u>143,250</u>	<u>2,910</u>
Net change in fund balances	279,485	27,841	43,977	288,044	639,347	1,065,586
Fund balances, beginning	1,960,296	16,212	534,953	64,065	2,575,526	1,509,940
Fund balances, ending	<u>\$ 2,239,781</u>	<u>\$ 44,053</u>	<u>\$ 578,930</u>	<u>\$ 352,109</u>	<u>\$ 3,214,873</u>	<u>\$ 2,575,526</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, 2019**

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

Net change in fund balances-total governmental funds	\$ 639,347
--	------------

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	\$ 488,676	
Purchase of fixed assets	1,500,041	
Proceeds on disposal of assets	(150,251)	
Gain (loss) on disposal of assets	66,877	
Depreciation expense	<u>(1,001,005)</u>	904,338

Pension (expense) benefit		135,389
---------------------------	--	---------

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	110,505	
Change in accrued compensated absences	<u>(5,741)</u>	<u>104,764</u>
Change in net position of governmental activities		<u>\$ 1,783,838</u>

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

**For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
General property taxes-current	\$ 908,813	\$ 868,150	\$ 863,854	\$ (4,296)
Prior years' taxes-delinquent	22,440	18,590	18,590	-
General sales & use taxes	2,984,680	2,861,209	3,008,020	146,811
Franchise taxes	25,991	24,316	24,316	-
Mass transit tax	540,600	628,000	632,807	4,807
Total taxes	4,482,524	4,400,265	4,547,587	147,322
Licenses & permits:				
Business licenses & permits	40,000	40,000	40,088	88
Building structures & equipment	200,885	212,303	211,731	(572)
Animal licenses	4,500	6,326	6,570	244
Total licenses & permits	245,385	258,629	258,389	(240)
Intergovernmental revenues:				
Public safety	-	22,703	22,703	-
State and other governmental grants	496,374	150,359	122,401	(27,958)
Class "C" road fund allotment	442,112	442,112	461,045	18,933
Total intergovernmental revenues	938,486	615,174	606,149	(9,025)
Charges for services:				
Zoning & subdivision fees	278,935	247,306	277,315	30,009
Sale of maps & publications	100	100	-	(100)
Public safety	194,200	313,116	269,677	(43,439)
Refuse collection charges	830,000	982,505	986,462	3,957
Cemetery fees	10,000	32,876	20,896	(11,980)
Parks and public property	122,000	245,668	146,830	(98,838)
Total charges for services	1,435,235	1,821,571	1,701,180	(120,391)
Fines & forfeitures:				
Fines	106,000	148,775	178,481	29,706
Forfeitures	350	350	164	(186)
Total fines & forfeitures	106,350	149,125	178,645	29,520
Miscellaneous revenue:				
Interest earnings	14,156	70,619	89,204	18,585
Rents & miscellaneous	10,500	184,495	107,843	(76,652)
Sale of materials & supplies	15,000	85,500	150,250	64,750
Total miscellaneous revenue	39,656	340,614	347,297	6,683
Total revenues	\$7,247,636	\$7,585,378	\$7,639,247	\$ 53,869

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			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
<b>Expenditures</b>				
General government:				
Legislative	\$ 117,800	\$ 106,555	\$ 79,696	\$ 26,859
Judicial	198,854	195,354	178,737	16,617
Executive	179,685	150,196	139,077	11,119
Administrative	184,896	181,543	157,637	23,906
Non-departmental	247,241	495,045	330,367	164,678
Planning & zoning	11,820	8,675	5,507	3,168
Total general government	940,296	1,137,368	891,021	246,347
Public safety:				
Police department	1,009,211	1,014,311	1,009,210	5,101
Fire department	698,869	703,642	592,638	111,004
Protective inspection	193,870	241,210	256,169	(14,959)
Animal control	5,100	-	2,475	(2,475)
Total public safety	1,907,050	1,959,163	1,860,492	98,671
Streets & improvements:				
Streets	2,169,883	2,044,618	2,040,824	3,794
Public works	-	46,274	42,442	3,832
Sanitation	820,000	937,000	1,026,500	(89,500)
Total streets & improvements	2,989,883	3,027,892	3,109,766	(81,874)
Parks, recreation, & public property:				
Park & park areas	1,078,541	879,176	819,500	59,676
Recreation & culture	223,776	292,950	285,138	7,812
Cemetery	48,400	48,950	29,144	19,806
Total parks, recreation, & public property	1,350,717	1,221,076	1,133,782	87,294
Community & economic development:				
Community planning	223,529	233,512	199,926	33,586
Transfers & other uses:				
Transfer to other funds	(152,646)	9,000	164,775	(155,775)
Total transfers & other uses	(152,646)	9,000	164,775	(155,775)
Total expenditures	7,258,829	7,588,011	7,359,762	228,249
Net change in fund balance	(11,193)	(2,633)	279,485	282,118
Fund balance, beginning	1,960,296	1,960,296	1,960,296	-
Fund balance, ending	\$1,949,103	\$1,957,663	\$2,239,781	\$ 282,118

**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, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Library revenues</b>				
Dedicated property taxes	\$ 387,714	\$ 387,714	\$ 387,714	\$ -
Intergovernmental revenue	-	6,100	6,100	-
Fines	10,000	10,000	6,766	(3,234)
Other	202,065	187,973	184,396	(3,577)
Total revenues	599,779	591,787	584,976	(6,811)
<b>Library expenditures</b>				
General operations	716,807	591,620	557,135	34,485
Total expenditures	716,807	591,620	557,135	34,485
Excess (deficiency) of revenues over expenditures	(117,028)	167	27,841	27,674
Other financing sources (uses):				
Proceeds from sale of asset	-	-	-	-
Net change in fund balance	(117,028)	167	27,841	27,674
Fund balance, beginning	16,212	16,212	16,212	-
Fund balance, ending	<u>\$ (100,816)</u>	<u>\$ 16,379</u>	<u>\$ 44,053</u>	<u>\$ 27,674</u>
<b>RDA revenues</b>				
Dedicated property taxes	\$ 340,000	\$ 476,012	\$ 476,012	\$ -
Other	2,600	4,001	5,715	1,714
Total revenues	342,600	480,013	481,727	1,714
<b>RDA expenditures</b>				
Community development	238,600	203,954	193,683	10,271
Excess (deficiency) of revenues over expenditures	104,000	276,059	288,044	11,985
Transfer to other funds	-	-	-	-
Net change in fund balance	104,000	276,059	288,044	11,985
Fund balance, beginning	64,065	64,065	64,065	-
Fund balance, ending	<u>\$ 168,065</u>	<u>\$ 340,124</u>	<u>\$ 352,109</u>	<u>\$ 11,985</u>

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

**As of June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Storm water</u>	<u>Total 2019</u>	<u>Memorandum 2018</u>
<b>Assets</b>					
Current assets:					
Cash & cash equivalents	\$ 1,467,483	\$ 346,354	\$ 377,805	\$ 2,191,642	\$ 1,313,851
Accounts receivable, net	104,566	185,185	19,412	309,163	312,024
Total current assets	<u>1,572,049</u>	<u>531,539</u>	<u>397,217</u>	<u>2,500,805</u>	<u>1,625,875</u>
Noncurrent assets:					
Restricted cash	72,412	246,340	-	318,752	377,264
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	11,646,225	6,289,838	307,173	18,243,236	17,384,642
Buildings and equipment	791,527	388,484	266,503	1,446,514	1,431,653
Less accumulated depreciation	<u>(5,313,952)</u>	<u>(3,422,340)</u>	<u>(35,389)</u>	<u>(8,771,681)</u>	<u>(8,403,764)</u>
Total noncurrent assets	<u>7,669,771</u>	<u>3,503,172</u>	<u>538,287</u>	<u>11,711,230</u>	<u>11,264,204</u>
Deferred outflow of resources- pensions	<u>37,548</u>	<u>18,774</u>	<u>3,755</u>	<u>60,077</u>	<u>61,589</u>
Total assets and deferred outflow of resources	<u>\$ 9,279,368</u>	<u>\$ 4,053,485</u>	<u>\$ 939,259</u>	<u>\$ 14,272,112</u>	<u>\$ 12,951,668</u>

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

*Continued*

	Water	Sewer	Storm water	Total 2019	Memorandum 2018
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 43,724	\$ 249,228	\$ 33,926	\$ 326,878	\$ 291,603
Accrued payables	10,384	7,981	473	18,838	11,526
Deposits	19,270	1,100	-	20,370	-
Accrued interest payable	-	1,396	7,945	9,341	3,801
Bonds payable - due within a year	-	83,659	32,781	116,440	112,332
Total current liabilities	<u>73,378</u>	<u>343,364</u>	<u>75,125</u>	<u>491,867</u>	<u>419,262</u>
Noncurrent liabilities:					
Net pension liability	59,151	29,575	5,915	94,641	59,050
Bond payable - due in more than one year	-	63,876	148,398	212,274	181,101
Total noncurrent liabilities	<u>59,151</u>	<u>93,451</u>	<u>154,313</u>	<u>306,915</u>	<u>240,151</u>
Total liabilities	<u>132,529</u>	<u>436,815</u>	<u>229,438</u>	<u>798,782</u>	<u>659,413</u>
Deferred inflow of resources- pensions	<u>23,282</u>	<u>11,641</u>	<u>2,328</u>	<u>37,251</u>	<u>91,114</u>
Total liabilities and deferred inflows	<u>155,811</u>	<u>448,456</u>	<u>231,766</u>	<u>836,033</u>	<u>750,527</u>
<b>Net Position</b>					
Net investment in capital assets	7,597,359	3,107,901	349,163	11,054,423	10,589,706
Restricted for debt service	-	162,640	-	162,640	158,156
Restricted for impact fees	72,412	83,700	-	156,112	219,108
Unrestricted	1,453,786	250,788	358,330	2,062,904	1,234,171
Total net position	<u>\$ 9,123,557</u>	<u>\$ 3,605,029</u>	<u>\$ 707,493</u>	<u>\$ 13,436,079</u>	<u>\$ 12,201,141</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, 2019**

	Water	Sewer	Storm water	Total 2019	Memorandum 2018
<b>Operating revenues:</b>					
Charges for services	\$ 1,239,453	\$ 2,149,591	\$ 222,368	\$ 3,611,412	\$ 3,058,273
Impact fees	218,805	60,941	-	279,746	381,509
Other	4,946	-	-	4,946	4,771
Total operating revenues	1,463,204	2,210,532	222,368	3,896,104	3,444,553
<b>Operating expenses:</b>					
Wages and benefits	202,421	114,306	5,003	321,730	286,825
Professional fees	47,341	30,306	85,107	162,754	29,962
Disposal and treatment	-	1,297,583	-	1,297,583	1,104,017
Utilities	98,247	-	-	98,247	103,244
Repairs and maintenance	379,871	21,840	85,729	487,440	255,144
Other	188,748	114,952	20,609	324,309	302,759
Facilities	28,235	19,700	18,500	66,435	31,701
Depreciation	282,032	142,203	51,374	475,609	415,096
Total operating expenses	1,226,895	1,740,890	266,322	3,234,107	2,528,748
Operating income (loss)	236,309	469,642	(43,954)	661,997	915,805
<b>Non-operating revenues (expenses):</b>					
Interest income	16,658	5,235	3,189	25,082	17,906
Gain(loss) on disposal of assets	11,641	-	-	11,641	(60,184)
Interest expense	-	(9,960)	(6,256)	(16,216)	(22,231)
Transfers in (out)	-	7,000	-	7,000	-
Property tax	-	32,911	-	32,911	32,911
Contributed capital	236,340	264,317	11,866	512,523	515,429
Total non-operating revenue (expense)	264,639	299,503	8,799	572,941	483,831
Change in net position	500,948	769,145	(35,155)	1,234,938	1,399,636
Total net position, beginning	8,622,609	2,835,884	742,648	12,201,141	10,801,505
Total net position, ending	\$ 9,123,557	\$ 3,605,029	\$ 707,493	\$ 13,436,079	\$ 12,201,141



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

**For the Year Ended June 30, 2019**

	Water	Sewer	Storm water	Total 2019	Memorandum 2018
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,497,198	\$ 2,119,133	\$ 221,693	\$ 3,838,024	\$ 3,371,322
Payments to suppliers	(605,326)	(1,540,412)	(171,352)	(2,317,090)	(1,798,088)
Payments to employees	(202,421)	(114,306)	(5,003)	(321,730)	(286,825)
Net cash provided by operating activities	<u>689,451</u>	<u>464,415</u>	<u>45,338</u>	<u>1,199,204</u>	<u>1,286,409</u>
<b>Cash flows from capital and related financing activities</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	-	(80,195)	(22,831)	(103,026)	(287,130)
Interest paid on capital debt	-	(9,960)	(6,256)	(16,216)	(22,231)
Proceeds from sale of capital assets	31,025	-	-	31,025	-
Purchases of capital assets	(349,701)	-	-	(349,701)	(377,292)
Net cash used by capital and related financing activities	<u>(318,676)</u>	<u>(57,244)</u>	<u>(29,087)</u>	<u>(405,007)</u>	<u>(653,742)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>16,658</u>	<u>5,235</u>	<u>3,189</u>	<u>25,082</u>	<u>17,906</u>
Net cash provided by investing activities	<u>16,658</u>	<u>5,235</u>	<u>3,189</u>	<u>25,082</u>	<u>17,906</u>
Net increase (decrease) in cash and cash equivalents	387,433	412,406	19,440	819,279	650,573
Cash and equivalents, beginning	<u>1,152,462</u>	<u>180,288</u>	<u>358,365</u>	<u>1,691,115</u>	<u>1,040,542</u>
Cash and equivalents, ending	<u>\$ 1,539,895</u>	<u>\$ 592,694</u>	<u>\$ 377,805</u>	<u>\$ 2,510,394</u>	<u>\$ 1,691,115</u>
Presented in the financial statements as:					
Cash & cash equivalents	\$ 1,467,483	\$ 346,354	\$ 377,805	\$ 2,191,642	\$ 650,573
Restricted cash	<u>72,412</u>	<u>246,340</u>	<u>-</u>	<u>318,752</u>	<u>1,040,542</u>
Total cash and cash equivalents	<u>\$ 1,539,895</u>	<u>\$ 592,694</u>	<u>\$ 377,805</u>	<u>\$ 2,510,394</u>	<u>\$ 1,691,115</u>

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

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

*Continued*

	Water	Sewer	Storm water	Total 2019	Memorandum 2018
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 236,309	\$ 469,642	\$ (43,954)	\$ 661,997	\$ 915,805
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	282,032	142,203	51,374	475,609	415,096
Changes in assets & liabilities:					
Decrease (increase) in receivables	33,994	(30,458)	(675)	2,861	(73,231)
Decrease (increase) in interfund receivables	122,049	(122,049)	-	-	-
Decrease (increase) in deferred outflows	(2,354)	3,222	644	1,512	21,068
Increase (decrease) in accruals	26,934	14,655	42,129	83,718	(33,814)
Increase (decrease) in deposits	19,270	1,100	-	20,370	-
Increase (decrease) in deferred inflows	(28,783)	(20,900)	(4,180)	(53,863)	41,485
Miscellaneous expense/transfers	-	7,000	-	7,000	-
Total adjustments	453,142	(5,227)	89,292	537,207	370,604
Net cash provided (used) by operating activities	<u>\$ 689,451</u>	<u>\$ 464,415</u>	<u>\$ 45,338</u>	<u>\$ 1,199,204</u>	<u>\$ 1,286,409</u>
Non cash transactions:					
Capital contributions	<u>\$ 236,340</u>	<u>\$ 264,317</u>	<u>\$ 11,866</u>	<u>\$ 512,523</u>	<u>\$ 515,429</u>
Assets purchased through debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,040</u>	<u>\$ 223,040</u>	<u>\$ -</u>

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

**For the Year Ended June 30, 2019**

---

**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 costs are also charged to businesses based on 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 provides funds to the City for library use. The Thorne Endowment provided \$171,756 in library funding for the year ended June 30, 2019.

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 the 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 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) as well as 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 street and sidewalk improvements and water and sewer lines 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 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	\$ 35,385,763
Accumulated depreciation	(17,345,420)
Total difference	<u>\$ 18,040,343</u>

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

***Continued***

---

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

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

*Long-term liabilities:*

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

Principal portion of notes and leases	\$ (228,643)
Compensated absences	(118,532)
	<u>\$ (347,175)</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.

Net pension liability	\$ (496,865)
Deferred outflow of resources - pension	315,407
Deferred inflow of resources - pension	(195,568)
	<u>\$ (377,026)</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	\$ 1,500,041
Contributed capital	488,676
Proceeds on disposal of assets	(150,251)
Gain on disposal of assets	66,877
Depreciation expense	(1,001,005)
	<u>\$ 904,338</u>
Net difference as reported	<u>\$ 904,338</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***

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. 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	\$ 62,104
Repayment of capital lease principal	48,401
Change in accrued compensated absences	<u>(5,741)</u>
	<u><u>\$ 104,764</u></u>

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net 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, 2018.

In addition to liabilities, the Statement of Net 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 its actions to be 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, 2019, \$382,322 of the local government's bank balances of \$632,322 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, 2019, the City had the following recurring fair value measurements.

<b>Investments by fair value level</b>	<b>6/30/2019</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Debt Securities				
Utah Public Treasurers' Investment	\$5,621,549	\$ -	\$5,621,549	\$ -
Total investments measured at fair value	<u>\$5,621,549</u>	<u>\$ -</u>	<u>\$5,621,549</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, 2019 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, 2019, 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	\$5,621,549	\$5,621,549	\$ -	\$ -
Total investments measured at fair value	\$5,621,549	\$5,621,549	\$ -	\$ -

**4. ACCOUNTS RECEIVABLE**

The City had accounts receivable as of June 30, 2019, as follows:

Property tax	\$ 1,811,348
Sales tax	204,644
Sewer	185,185 (net of \$23,383 allowance)
Garbage and dispatch fee	93,137 (net of \$11,692 allowance)
Class C Road funds	97,566
Water	104,566 (net of \$13,217 allowance)
Court	19,888 (net of \$98,720 allowance)
Other receivables	8,932
Energy use tax	41,364
Storm water	19,412 (net of \$2,542 allowance)
Total	<u>\$ 2,586,042</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, 2019 consisted of the following:

	<u>7/1/2018</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/2019</u>	<u>Due in 1 yr.</u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including interest at 5%.	\$ 142,337	\$ -	\$ 51,506	\$ 90,831	\$ 53,793
GMAC; \$560,000 due in monthly installments of \$32,911 including interest at 5%.	85,393	-	28,689	<u>56,704</u>	<u>29,866</u>
Total sewer fund				<u>\$ 147,535</u>	<u>\$ 83,659</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 \$104,271 and depreciation of \$23,171.	\$ 65,703	\$ -	\$ 65,703	\$ -	\$ -
Capital lease; \$223,040 due in annual installments including interest of 4.9%, asset value \$265,750 with accumulated depreciation of \$22,146 and depreciation of \$22,146.	-	223,040	41,861	<u>181,179</u>	<u>32,781</u>
Total storm water fund				<u>\$ 181,179</u>	<u>\$ 32,781</u>
RDA fund:					
Developer note payable for \$1,000,000 due as available from tax increment subsidies of approximately \$173,000 over 5 years.	\$290,747	\$ -	\$ 62,104	<u>\$ 228,643</u>	<u>\$ 228,643</u>
Total RDA fund				<u>\$ 228,643</u>	<u>\$ 228,643</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 \$64,283 and depreciation of \$14,285.	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 \$71,863 and depreciation of \$15,970.	33,181	-	33,181	-	-
Total general fund				\$ -	\$ -
Total long-term debt				\$ 557,357	\$ 345,083

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, 2019, were as follows:

June 30,	Bond Principal	Bond Interest
2020	\$ 345,083	\$ 16,292
2021	98,300	10,404
2022	36,149	5,712
2023	37,961	3,900
2024	39,864	1,997
Totals	\$ 557,357	\$ 38,305



## **7. PENSION PLANS**

### *General Information about the Pension Plan*

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

#### **Defined Benefit Plans**

- Public Employees Noncontributory Retirement System (Noncontributory 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); Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System) are multiple employer, cost sharing public employees, retirement systems.

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

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 Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website: [www.urs.org](http://www.urs.org).

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

***Continued***

**7. PENSION PLANS – *continued***

**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*		
Tier 2 Public Employees System	Highest 5 years	4 years age 65	1.5% per year all years	Up to 2.5%
		35 years any age		
		20 years age 60*		
		10 years age 62*		
Tier 2 Public Safety and Firefighter System	Highest 5 years	4 years age 65	1.5% per year all years	Up to 2.5%
		25 years any age		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		

\*actuarial reductions are applied

\*\*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 as of June 30, 2019 were 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	15.54%	1.15%
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%	24.37%	N/A
122 - Tier 2 DB Hybrid Public Safety	N/A	24.25%	0.74%
Noncontributory			
75 - Other Division A with 4% COLA	N/A	35.71%	N/A
Firefighters Retirement System			
31- Other Division A	15.05%	4.61%	N/A
132- Tier 2 DB Hybrid Firefighters	N/A	11.34%	0.74%
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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory system	\$ 76,525	N/A
Firefighters system	7,171	23,543
Tier 2 public employees system	83,538	-
Tier 2 public safety and firefighter	8,932	-
Total contributions	<u>\$ 176,166</u>	<u>\$ 23,543</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, 2019, we reported a net pension asset of \$0 and a net pension liability of \$591,506.

	(Measurement Date): December 31, 2018				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2017	Change (Decrease)
Noncontributory system	\$ -	\$ 508,975	0.0691193%	0.0900675%	-0.0209482%
Contributory system	-	-	0.0000000%	0.2989745%	-0.2989745%
Firefighters system	-	64,807	0.4991053%	0.5072530%	-0.0081477%
Tier 2 public employees system	-	16,875	0.0394013%	0.0322191%	0.0071822%
Tier 2 public safety and firefighter system	-	849	0.0338694%	0.0000000%	0.0338694%
Total net pension asset/liability	<u>\$ -</u>	<u>\$ 591,506</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, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019, we recognized pension expense of \$24,025.

At June 30, 2019, 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	\$ 20,751	\$ 24,668
Changes in assumptions	107,690	7,857
Net difference between projected and actual earnings on pension plan investments	145,775	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,092	200,294
Contributions subsequent to the measurement date	89,176	-
Total	<u>\$ 375,484</u>	<u>\$ 232,819</u>

\$89,176 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, 2018. 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
2019	\$ (21,549)
2020	(17,635)
2021	5,514
2022	77,171
2023	4,465
Thereafter	5,524

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

*Continued*

**7. PENSION PLANS – continued**

*Actuarial assumptions* – The total pension liability in the December 31, 2018, 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, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and applied consistently to each defined benefit pension plan. 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		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
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%

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

*Continued*

**7. PENSION PLANS – *continued***

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 remained unchanged at 6.95 percent.

*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	\$ 1,043,125	\$ 508,975	\$ 64,170
Firefighters system	241,839	64,807	(78,541)
Tier 2 public employees system	67,603	16,875	(22,275)
Tier 2 public safety & firefighter	6,401	849	(3,400)
Total	<u>\$ 1,358,968</u>	<u>\$ 591,506</u>	<u>\$ (40,046)</u>

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

***Continued***

---

**7. PENSION PLANS – *continued***

*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
- Roth IRA Plan

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

	2019	2018	2017
401(k) Plan			
Employer contributions	\$ 20,510	\$ 21,328	\$ 21,904
Employee contributions	41,006	45,874	30,404
457 Plan			
Employee contributions	11,011	8,538	660
Roth IRA Plan			
Employee contributions	1,564	-	-



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

*Continued*

**8. CHANGES IN FIXED ASSETS**

Fixed asset changes occurring for the year ended June 30, 2019 were as follows:

	July 1, 2018	Additions	Deletions	June 30, 2019
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,009,707	\$ 60,202	\$ -	\$ 7,069,909
Construction in progress	-	-	-	-
Total capital assets not being depreciated	7,009,707	60,202	-	7,069,909
Capital assets being depreciated:				
Distribution and collection systems	17,170,157	1,066,064	-	18,236,221
Buildings and equipment	9,566,707	862,451	349,525	10,079,633
Total capital assets being depreciated	26,736,864	1,928,515	349,525	28,315,854
Accumulated depreciation	(16,610,566)	(1,001,005)	(266,151)	(17,345,420)
Total capital assets being depreciated, net	10,126,298	927,510	83,374	10,970,434
Total governmental activities capital assets, net	<u>\$ 17,136,005</u>	<u>\$ 987,712</u>	<u>\$ 83,374</u>	<u>\$18,040,343</u>
<b>Business-type activities:</b>				
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	17,384,642	858,594	-	18,243,236
Buildings and equipment	1,431,653	269,380	254,519	1,446,514
Total capital assets being depreciated	18,816,295	1,127,974	254,519	19,689,750
Accumulated depreciation for:				
Structures and systems	(8,403,764)	(475,609)	(107,692)	(8,771,681)
Total capital assets being depreciated, net	10,412,531	652,365	146,827	10,918,069
Total business-type activities capital assets	<u>\$ 10,886,940</u>	<u>\$ 652,365</u>	<u>\$ 146,827</u>	<u>\$11,392,478</u>

**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	\$ 14,595
Public safety	54,103
Streets	595,751
Parks & recreation	336,556
Total depreciation expense	<u>\$ 1,001,005</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, 2019 amounted to \$1,009,210.

**10. INTERFUND TRANSFERS**

The composition of interfund transfers as of June 30, 2019 is as follows:

Purpose	Amount	Transfer In	Transfer Out
Equipment	\$ 157,775	Capital Projects	General
Equipment	7,000	Sewer	General

**11. COMPENSATED ABSENCES**

Most employees earn paid vacation and sick leave days each month based on length of service. If sick leave is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. As of June 30, 2019, 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 \$111,263 in the General, Water, and Sewer funds. All vacation hours and all compensatory time hours are paid out upon termination. Only 10 percent of sick leave hours are paid out upon termination (unless the employee retires through the Utah Retirement System and has worked for the City for a required amount of time). Sick leave hours excluded under this provision during the year ended June 30, 2019 amounted to \$203,343. Based on past experience, about 20 percent of sick leave hours are typically 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 \$46,612 in rental payments for the year. The future required lease payments are as follows:

2020	\$ 34,909
2021	34,909
Total	<u>\$ 69,818</u>

**13. MEMORANDUM TOTALS**

Total columns on the financial statements are captioned “memorandum” 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 November 22, 2019, the date the financial statements were available to be issued.

**This page intentionally left blank.**

## **REQUIRED SUPPLEMENTAL SECTION**

**This page intentionally left blank.**

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

**For the Year Ended June 30, 2019**

	<b>As of fiscal year ended June 30,</b>	<b>Proportion of the net pension liability (asset)</b>	<b>Proportionate share of the net pension liability (asset)</b>	<b>Covered- employee payroll</b>	<b>Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll</b>	<b>Plan fiduciary net position as a percentage of its covered- employee payroll</b>
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%
	2019	0.0691193%	508,975	495,743	102.67%	87.00%
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%
	2019	0.0000000%	-	-	0.00%	91.20%
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%
	2019	0.4991053%	64,807	154,826	41.86%	94.30%

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

*Continued*

	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
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%
	2019	0.0394013%	16,875	459,943	3.67%	90.80%
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%
	2019	0.0338694%	849	44,680	1.90%	95.60%

\*in accordance with paragraph 81.a of GASB 68, employers need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI. This schedule is being built prospectively.



**NORTH LOGAN CITY**  
**Schedule of Contributions**

**For the Year Ended June 30, 2019**

	<b>As of fiscal year ended June 30,</b>	<b>Actuarial Determined Contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
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%
	2019	76,525	76,525	-	415,079	18.44%
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%
	2019	7,171	7,171	-	156,430	4.58%

**NORTH LOGAN CITY**  
**Schedule of Contributions**

*Continued*

	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
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%
	2019	83,538	83,538	-	537,566	15.54%
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%
	2019	8,932	8,932	-	78,769	11.34%
Tier 2 public employees DC only system*	2014	\$ 477	\$ 477	\$ -	\$ 8,632	5.53%

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

\*\*Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. This schedule is being built prospectively. Contributions as a percentage of covered payroll may be different than the board-certified rate due to rounding and other administrative practices.

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

**For the Year Ended June 30, 2019**

---

**1. Changes in Assumptions:**

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

**This page intentionally left blank.**

## **SUPPLEMENTAL SECTION**

**This page intentionally left blank.**



**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, and each major fund of North Logan City, Utah (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as finding 2019-1 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and recommendations as finding 2019-2.

## **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. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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  
November 22, 2019





**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, 2019.

State compliance requirements were tested for the year ended June 30, 2019 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Restricted Revenue
- Open and Public Meetings Act
- Public Treasurer's Bond
- Impact Fees

***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 state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about 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.

## **Opinion on Compliance**

In our opinion, the City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompany schedule of findings and recommendations as item 2019-2. Our opinion on compliance is not modified with respect to these matters.

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

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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.

*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. *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.

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

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

Very truly yours,

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

Allred Jackson

North Logan, UT  
November 22, 2019

**This page intentionally left blank.**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**This page intentionally left blank.**

**NORTH LOGAN CITY**  
**Schedule of Findings and Recommendations**  
**Current Year**

**For the Year Ended June 30, 2019**

---

**2019-1:   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:* Material misstatements related to debt, fixed assets, and fund transfers were identified.

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

*Effect:* The financial statements were materially misstated and audit adjustments were proposed before the misstatement was detected and corrected by the City's accounting staff.

*Recommendation:* We recommend that City management 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 fiscal year's end, are identified and up to date. The City Recorder will review the check register each month to identify any equipment/projects exceeding the \$3,000 capitalization amount and review these with the City Administrator and Public Works Director periodically.

**2019-2:   State Compliance – Budgetary Compliance (Other Matter)**

*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:* Expenditures in the Storm Water Fund exceeded the budgeted amount.

*Cause:* The City realized more expenditures than what had been budgeted for in the Storm Water Fund.

*Effect:* The City was not in compliance with Utah State budgetary requirements.

**NORTH LOGAN CITY**  
**Schedule of Findings and Recommendations**  
**Current Year**

***Continued***

---

*Recommendation:* We recommend that City management monitor expenses throughout the year and compare regularly to budgeted amounts so that budget amendments may be made as necessary.

*Views of Responsible Officials:* Actual expenditures exceeded the final budget by \$6,765. This was due to not adequately anticipating some last-minute billing for a stormwater study. Management will work with the Streets Department as the fiscal year-end comes to a close to include the appropriate amount in the final budget.



**NORTH LOGAN CITY**  
**Schedule of Findings and Recommendations**  
**Prior Year**

**For the Year Ended June 30, 2019**

---

**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.

*Status:* See similar finding 2019-1.

**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**  
**Prior 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, 2019, 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.

*Status:* Current year testing was compliant with Open and Public Meetings Act.

**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.

*Status:* The deficit in the sewer fund was retired by June 30, 2019.