



North Logan City

**Financial Statements**  
**June 30, 2020**

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## **INTRODUCTORY SECTION**

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DAMON CANN  
MAYOR



ALAN LUCE  
CITY ADMINISTRATOR

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

November 6, 2020

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, 2020, 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, 2020, 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, 2020, 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, 2020, 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**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of North Logan City, Utah (the “City”), as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 6, 2020, 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 6, 2020

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

**For the Year Ended June 30, 2020**

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As management of North Logan City, we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2020.

### **FINANCIAL HIGHLIGHTS**

- The total net position of North Logan City increased 11 percent to \$37,787,874.
- The total net position of \$37,787,874 was made up of \$30,052,372 in capital assets net of related debt and \$1,526,474 of restricted net position and \$6,209,028 of unrestricted net position.
- In the General Fund, revenues exceeded expenditures by \$690,354.
- Total net position of business-type activities increased by \$1,860,344.

### **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*

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

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

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

The major governmental funds (as determined by generally accepted accounting principles and elected by management) 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.

The major governmental funds (as determined by generally accepted accounting principles and elected by management) are the water utility, sewer utility, and storm water utility funds.

**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 \$37,787,874.

The greatest portion of North Logan City's net position (80%) 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, 2020:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Current and other assets	\$ 6,245,506	\$ 4,785,714	\$ 3,670,897	\$ 2,500,805
Non current assets	1,168,785	971,305	427,684	318,752
Capital assets	18,893,454	18,040,343	11,763,575	11,392,478
Deferred outflow of resources	167,480	315,407	31,901	60,077
Total assets and deferred outflows	26,475,225	24,112,769	15,894,057	14,272,112
Long-term debt outstanding	386,311	228,643	202,172	328,714
Other liabilities	1,343,785	1,355,423	346,984	470,068
Deferred inflow of resources	2,253,678	1,997,688	48,478	37,251
Total liabilities and deferred inflows	3,983,774	3,581,754	597,634	836,033
Net position				
Net investment in capital assets	18,497,476	17,811,700	11,554,896	11,054,423
Restricted	1,098,790	967,707	427,684	318,752
Unrestricted	2,895,185	1,751,608	3,313,843	2,062,904
Total net position	<u>\$22,491,451</u>	<u>\$20,531,015</u>	<u>\$15,296,423</u>	<u>\$13,436,079</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, 2020:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 2,217,484	\$ 2,070,577	\$ 4,283,999	\$ 3,616,358
Dedicated property tax	1,037,141	863,726	58,601	32,911
Operating grants & contributions	975,029	651,596	-	-
Capital grants & contributions	1,225,599	815,954	765,205	792,269
General revenues:				
Property taxes	892,535	882,444	-	-
Other taxes	4,237,127	3,665,143	-	-
Investment income	108,196	100,833	26,471	25,082
Other revenues	20,081	106,965	512	-
Total revenues	10,713,192	9,157,238	5,134,788	4,466,620
Expenses:				
General government	702,071	736,155	-	-
Public safety	2,071,717	1,916,594	-	-
Streets	2,699,153	1,750,054	-	-
Public works	35,248	42,442	-	-
Sanitation	1,109,817	1,026,500	-	-
Parks & recreation	1,637,343	1,501,046	-	-
Community development	457,407	393,609	-	-
Water	-	-	1,112,190	1,215,254
Sewer	-	-	1,988,338	1,750,850
Storm water	-	-	213,916	272,578
Total expenses	8,712,756	7,366,400	3,314,444	3,238,682
Transfers in (out)	(40,000)	(7,000)	40,000	7,000
Increase (decrease) in net position	1,960,436	1,783,838	1,860,344	1,234,938
Net position, beginning	20,531,015	18,747,177	13,436,079	12,201,141
Net position, ending	\$22,491,451	\$20,531,015	\$15,296,423	\$13,436,079

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

*Continued*

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**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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

As of June 30, 2020, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$4,297,239. This represents an increase of \$1,082,366 (34%) 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 56 percent of total general fund revenues. The largest element was sales tax, which represented 64 percent of total tax revenues and 36 percent of total General Fund revenues. This compares with 39 percent in the prior fiscal year ended June 30, 2019.

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 \$853,111 and an increase in long-term debt of \$157,668 due to new capital leases and bond and capital lease principal payments.

Significant changes in business-type activities included a decrease in long-term debt of \$150,792 due to bond and capital lease principal payments, an increase in a new capital lease of \$24,250 and an increase in capital assets through contributions and acquisition of \$371,097.

**GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$7,594,250, which increased 15 percent to \$8,697,488 due to increased costs associated with general government, streets and improvements, and community planning.

The Library Fund original budget for expenditures was \$599,241, which increased five percent to \$626,620 to reflect an overall increase in general operation costs.

The RDA Fund original budget for expenditures was \$393,000, which was decreased 31 percent to \$271,954 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, 2020, totaled \$30,657,029. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City's investment in fixed assets increased by four percent due to capital asset additions being greater than current year depreciation.

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

- \$322,295 for sewer system improvements.
- \$376,101 for water improvements.
- \$97,555 for storm water improvements.
- \$1,036,316 for road improvements.
- \$1,029,245 for buildings and equipment
- \$29,455 for land acquisition.

	Governmental Activities	Business-type Activities
Land & water shares	\$ 7,099,364	\$ 474,409
Buildings and equipment	10,779,730	1,370,984
Systems	19,272,537	19,039,188
Less: accumulated depreciation	(18,258,177)	(9,121,006)
Total	<u>\$ 18,893,454</u>	<u>\$ 11,763,575</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, 2020, the City had total bonded debt outstanding of \$36,141 which is secured solely by specific revenue sources (i.e., revenue bonds). Other obligations include capital leases at \$439,222 and a note payable to a developer for \$113,120. The City's debt increased by \$31,126 during the fiscal year. See the footnotes for additional information on the debt obligations of the City.

	Governmental Activities	Business-type Activities
Capital lease and notes payable	\$ 386,311	\$ 166,031
Revenue bonds	-	36,141
Total outstanding debt	<u>\$ 386,311</u>	<u>\$ 202,172</u>

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

**As of June 30, 2020**

	Governmental Activities	Business-type Activities	Total 2020	Memorandum 2019
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,694,160	\$ 3,255,084	\$ 6,949,244	\$ 4,647,610
Account receivable, net	2,505,873	415,813	2,921,686	2,586,042
Prepaid expense	45,473	-	45,473	52,867
Total current assets	6,245,506	3,670,897	9,916,403	7,286,519
Noncurrent assets:				
Restricted cash	1,098,790	427,684	1,526,474	1,290,057
Capital assets:				
Land and water shares	7,099,364	474,409	7,573,773	7,544,318
Distribution and collection systems	19,272,537	19,039,188	38,311,725	36,479,457
Buildings and equipment	10,779,730	1,370,984	12,150,714	11,526,147
Less: accumulated depreciation	(18,258,177)	(9,121,006)	(27,379,183)	(26,117,101)
Total capital assets	18,893,454	11,763,575	30,657,029	29,432,821
Pension asset	69,995	-	69,995	-
Total noncurrent assets	20,062,239	12,191,259	32,253,498	30,722,878
Total assets	26,307,745	15,862,156	42,169,901	38,009,397
Deferred outflow of resources - pensions	167,480	31,901	199,381	375,484
Total assets & deferred outflows of resources	\$ 26,475,225	\$ 15,894,057	\$ 42,369,282	\$ 38,384,881

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 2020	Memorandum 2019
<b>Liabilities &amp; Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable	\$ 917,203	\$ 251,919	\$ 1,169,122	\$ 943,660
Accrued expense	102,175	22,551	124,726	96,516
Deposits	28,508	20,370	48,878	58,709
Accrued interest payable	9,667	6,507	16,174	9,341
Bonds payable within one year	171,407	70,565	241,972	345,083
Total current liabilities	1,228,960	371,912	1,600,872	1,453,309
Noncurrent liabilities:				
Net pension liability	201,655	38,410	240,065	591,506
Bonds and leases payable	214,904	131,607	346,511	212,274
Accrued compensated absences	84,577	7,227	91,804	125,759
Total noncurrent liabilities	501,136	177,244	678,380	929,539
Deferred inflows of resources - pensions	254,507	48,478	302,985	232,819
Deferred inflows of resources - property taxes	1,999,171	-	1,999,171	1,802,120
Total liabilities & deferred inflows of resources	3,983,774	597,634	4,581,408	4,417,787
<b>Net Position</b>				
Net investment in capital assets	18,497,476	11,554,896	30,052,372	28,866,123
Restricted for:				
Debt service	-	36,141	36,141	162,640
Impact fees/park projects	716,153	391,543	1,107,696	1,076,175
Grants and contributions	382,637	-	382,637	47,644
Unrestricted	2,895,185	3,313,843	6,209,028	3,814,512
Total net position	\$ 22,491,451	\$ 15,296,423	\$ 37,787,874	\$ 33,967,094

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

**For the Year Ended June 30, 2020**

	Program Revenues					Net Governmental Activities	Business-type Activities	Total 2020	Memorandum 2019
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions				
Governmental activities:									
General government	\$ 702,071	\$ 444,264	\$ -	\$ 331,697	\$ -	\$ 73,890	\$ -	\$ 73,890	\$ (321,495)
Public safety	2,071,717	379,853	-	5,178	-	(1,686,686)	-	(1,686,686)	(1,396,824)
Streets	2,699,153	40,908	-	462,328	976,106	(1,219,811)	-	(1,219,811)	(721,618)
Public works	35,248	-	-	-	-	(35,248)	-	(35,248)	(42,442)
Sanitation	1,109,817	1,113,617	-	-	-	3,800	-	3,800	(40,038)
Parks and recreation	1,637,343	238,842	394,026	175,826	249,493	(579,156)	-	(579,156)	(524,533)
Community development	457,407	-	643,115	-	-	185,708	-	185,708	82,403
Total governmental activities	8,712,756	2,217,484	1,037,141	975,029	1,225,599	(3,257,503)	-	(3,257,503)	(2,964,547)
Business-type activities:									
Water	1,112,190	1,795,191	-	-	315,218	-	998,219	998,219	484,290
Sewer	1,988,338	2,246,862	58,601	-	352,432	-	669,557	669,557	756,910
Storm water	213,916	241,946	-	-	97,555	-	125,585	125,585	(38,344)
Total business-type activities	3,314,444	4,283,999	58,601	-	765,205	-	1,793,361	1,793,361	1,202,856
General revenues:									
Taxes:									
Property taxes levied for general purposes						892,535	-	892,535	882,444
Franchise and other taxes						956,144	-	956,144	657,123
General sales taxes & highway sales taxes						3,280,983	-	3,280,983	3,008,020
Business licenses						40,080	-	40,080	40,088
Gain (loss) on sale of assets						(19,999)	512	(19,487)	66,877
Investment income						108,196	26,471	134,667	125,915
Transfers in (out)						(40,000)	40,000	-	-
Total general revenues						5,217,939	66,983	5,284,922	4,780,467
Change in net position						1,960,436	1,860,344	3,820,780	3,018,776
Net position, beginning						20,531,015	13,436,079	33,967,094	30,948,318
Net position, ending						\$ 22,491,451	\$ 15,296,423	\$ 37,787,874	\$ 33,967,094

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

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

**As of June 30, 2020**

	General	Library	Capital Projects	RDA	Total 2020	Memorandum Total 2019
<b>Assets</b>						
Cash & cash equivalents	\$ 2,263,596	\$ 51,528	\$ 593,829	\$ 785,207	\$ 3,694,160	\$ 2,455,968
Accounts receivable, net	1,468,731	394,026	-	643,116	2,505,873	2,276,879
Prepaid expense	45,473	-	-	-	45,473	52,867
Restricted cash	1,098,790	-	-	-	1,098,790	971,305
Total assets	<u>\$ 4,876,590</u>	<u>\$ 445,554</u>	<u>\$ 593,829</u>	<u>\$ 1,428,323</u>	<u>\$ 7,344,296</u>	<u>\$ 5,757,019</u>
<b>Liabilities, deferred inflows of resources, and fund balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 859,645	\$ 10,498	\$ -	\$ 47,060	\$ 917,203	\$ 616,782
Accrued expenses	96,273	5,902	-	-	102,175	84,905
Deposits	28,508	-	-	-	28,508	38,339
Total liabilities	<u>984,426</u>	<u>16,400</u>	<u>-</u>	<u>47,060</u>	<u>1,047,886</u>	<u>740,026</u>
Total deferred inflows of resources	<u>962,029</u>	<u>394,026</u>	<u>-</u>	<u>643,116</u>	<u>1,999,171</u>	<u>1,802,120</u>
Total liabilities and deferred inflows	<u>1,946,455</u>	<u>410,426</u>	<u>-</u>	<u>690,176</u>	<u>3,047,057</u>	<u>2,542,146</u>
<b>Fund balance:</b>						
Non spendable	45,473	-	-	-	45,473	52,867
Restricted for:						
Park impact	437,156	-	-	-	437,156	453,072
Road impact	278,997	-	-	-	278,997	466,991
Community center	48,003	-	-	-	48,003	47,644
Economic development and other	334,634	-	-	-	334,634	3,598
Assigned for:						
Recreation	-	-	-	-	-	10,207
Cemetery	441,065	-	-	-	441,065	456,007
RSL	-	-	-	-	-	708
Wildland fires	243,809	-	-	-	243,809	207,423
Elk Ridge Park	11,140	-	-	-	11,140	10,121
Special revenue funds	-	35,128	-	738,147	773,275	396,162
Capital projects funds	-	-	593,829	-	593,829	578,930
Unassigned for: general fund	1,089,858	-	-	-	1,089,858	531,143
Total fund balances	<u>2,930,135</u>	<u>35,128</u>	<u>593,829</u>	<u>738,147</u>	<u>4,297,239</u>	<u>3,214,873</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,876,590</u>	<u>\$ 445,554</u>	<u>\$ 593,829</u>	<u>\$ 1,428,323</u>		
Amounts reported for governmental activities in the Statement of Net Position are different because:						
Capital assets used in governmental activities are not financial resources so they are not reported in the funds. The cost of these assets is \$37,151,631 and \$35,385,763, respectively and the accumulated depreciation is \$18,258,177 and \$17,345,420, respectively.					18,893,454	18,040,343
Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period and therefore are not reported in the funds.					(480,555)	(347,175)
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period and therefore are not reported in the funds					(218,687)	(377,026)
Total net position-governmental activities					<u>\$22,491,451</u>	<u>\$20,531,015</u>

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

**For the Year Ended June 30, 2020**

	General	Library	Capital Projects	RDA	Total 2020	Memorandum 2019
<b>Revenues:</b>						
Taxes	\$ 5,129,662	\$ 394,026	\$ -	\$ 643,115	\$ 6,166,803	\$ 5,411,313
Licenses and permits	300,990	-	-	-	300,990	258,389
Intergovernmental revenue	1,489,106	5,800	-	-	1,494,906	653,249
Charges for services	1,924,457	8,873	-	-	1,933,330	1,701,180
Fines	165,741	4,186	-	-	169,927	185,411
Other	180,604	170,701	4,832	6,220	362,357	392,143
Total revenues	<u>9,190,560</u>	<u>583,586</u>	<u>4,832</u>	<u>649,335</u>	<u>10,428,313</u>	<u>8,601,685</u>
<b>Expenditures:</b>						
Current operations:						
General government	945,041	-	-	-	945,041	891,021
Public safety	1,999,568	-	60,301	-	2,059,869	2,020,275
Streets	2,728,104	-	106,685	-	2,834,789	2,040,824
Public works	35,248	-	-	-	35,248	42,442
Sanitation	1,109,817	-	-	-	1,109,817	1,026,500
Parks and recreation	1,205,539	592,511	-	-	1,798,050	1,690,917
Community development	270,736	-	-	263,297	534,033	393,609
Total expenditures	<u>8,294,053</u>	<u>592,511</u>	<u>166,986</u>	<u>263,297</u>	<u>9,316,847</u>	<u>8,105,588</u>
Excess (deficiency) of revenues over expenditures	896,507	(8,925)	(162,154)	386,038	1,111,466	496,097
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	10,900	-	10,900	150,250
Capital contributions	-	-	-	-	-	-
Transfers in (out)	(206,153)	-	166,153	-	(40,000)	(7,000)
Total other financing sources	<u>(206,153)</u>	<u>-</u>	<u>177,053</u>	<u>-</u>	<u>(29,100)</u>	<u>143,250</u>
Net change in fund balances	690,354	(8,925)	14,899	386,038	1,082,366	639,347
Fund balances, beginning	2,239,781	44,053	578,930	352,109	3,214,873	2,575,526
Fund balances, ending	<u>\$ 2,930,135</u>	<u>\$ 35,128</u>	<u>\$ 593,829</u>	<u>\$ 738,147</u>	<u>\$ 4,297,239</u>	<u>\$ 3,214,873</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, 2020**

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

Net change in fund balances-total governmental funds \$ 1,082,366

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	\$ 658,692	
Purchase of fixed assets	1,321,248	
Proceeds on disposal of assets	(10,900)	
Gain (loss) on disposal of assets	(19,999)	
Depreciation expense	<u>(1,095,930)</u>	853,111

Pension (expense) benefit 158,339

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:

Capital lease issuances	(353,814)	
Repayment of bond and lease principal	196,146	
Change in accrued interest	(9,667)	
Change in accrued compensated absences	<u>33,955</u>	<u>(133,380)</u>
Change in net position of governmental activities		<u>\$ 1,960,436</u>

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

**For the Year Ended June 30, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
General property taxes-current	\$ 868,372	\$ 863,891	\$ 874,353	\$ 10,462
Prior years' taxes-delinquent	22,440	-	18,182	18,182
General sales & use taxes	3,148,101	3,002,630	3,280,983	278,353
Franchise taxes	25,991	25,553	25,553	-
Transportation tax	-	200,414	244,706	44,292
Mass transit tax	540,600	628,000	685,885	57,885
Total taxes	4,605,504	4,720,488	5,129,662	409,174
Licenses & permits:				
Business licenses & permits	40,000	40,000	40,080	80
Building structures & equipment	163,500	36,885	255,221	218,336
Animal licenses	4,800	6,626	5,689	(937)
Total licenses & permits	208,300	83,511	300,990	217,479
Intergovernmental revenues:				
Public safety	-	46,895	5,178	(41,717)
State and other governmental grants	489,843	473,297	1,021,600	548,303
Class "C" road fund allotment	442,112	442,112	462,328	20,216
Total intergovernmental revenues	931,955	962,304	1,489,106	526,802
Charges for services:				
Zoning & subdivision fees	230,440	464,347	378,941	(85,406)
Sale of maps & publications	100	100	-	(100)
Public safety	236,122	174,722	207,883	33,161
Refuse collection charges	830,000	1,111,000	1,113,617	2,617
Cemetery fees	14,000	27,519	17,539	(9,980)
Parks and public property	211,250	291,786	206,477	(85,309)
Total charges for services	1,521,912	2,069,474	1,924,457	(145,017)
Fines & forfeitures:				
Fines	111,500	156,075	165,741	9,666
Forfeitures	350	-	-	-
Total fines & forfeitures	111,850	156,075	165,741	9,666
Miscellaneous revenue:				
Interest earnings	41,864	95,105	96,469	1,364
Rents & miscellaneous	500	75,105	84,135	9,030
Sale of materials & supplies	22,600	3,000	-	(3,000)
Total miscellaneous revenue	64,964	173,210	180,604	7,394
Total revenues	\$ 7,444,485	\$ 8,165,062	\$ 9,190,560	\$ 1,025,498

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

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

*Continued*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Expenditures</b>				
General government:				
Legislative	\$ 96,952	\$ 85,845	\$ 75,713	\$ 10,132
Judicial	184,000	212,390	197,803	14,587
Executive	173,742	166,452	149,086	17,366
Administrative	220,317	226,317	204,114	22,203
Non-departmental	295,226	307,342	312,352	(5,010)
Planning & zoning	9,120	8,975	5,973	3,002
Total general government	<u>979,357</u>	<u>1,007,321</u>	<u>945,041</u>	<u>62,280</u>
Public safety:				
Police department	1,126,183	1,126,183	1,126,182	1
Fire department	811,169	748,982	644,183	104,799
Protective inspection	141,600	228,509	227,584	925
Animal control	5,100	5,100	1,619	3,481
Total public safety	<u>2,084,052</u>	<u>2,108,774</u>	<u>1,999,568</u>	<u>109,206</u>
Streets & improvements:				
Streets	2,089,408	2,665,069	2,728,104	(63,035)
Public works	-	54,448	35,248	19,200
Sanitation	840,000	1,110,000	1,109,817	183
Total streets & improvements	<u>2,929,408</u>	<u>3,829,517</u>	<u>3,873,169</u>	<u>(43,652)</u>
Parks, recreation, & public property:				
Park & park areas	1,074,756	851,013	849,715	1,298
Recreation & culture	296,457	303,855	291,185	12,670
Cemetery	36,250	64,800	64,639	161
Total parks, recreation, & public property	<u>1,407,463</u>	<u>1,219,668</u>	<u>1,205,539</u>	<u>14,129</u>
Community & economic development:				
Community planning	181,970	316,055	270,736	45,319
Transfers & other uses:				
Transfer to other funds	12,000	216,153	206,153	10,000
Total transfers & other uses	<u>12,000</u>	<u>216,153</u>	<u>206,153</u>	<u>10,000</u>
Total expenditures	<u>7,594,250</u>	<u>8,697,488</u>	<u>8,500,206</u>	<u>197,282</u>
Net change in fund balance	(149,765)	(532,426)	690,354	1,222,780
Fund balance, beginning	<u>2,239,781</u>	<u>2,239,781</u>	<u>2,239,781</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,090,016</u>	<u>\$ 1,707,355</u>	<u>\$ 2,930,135</u>	<u>\$ 1,222,780</u>

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

**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Library revenues</b>				
Dedicated property taxes	\$ 394,026	\$ 394,026	\$ 394,026	\$ -
Intergovernmental revenue	-	5,800	5,800	-
Charges for services	-	-	8,873	8,873
Fines	10,000	7,000	4,186	(2,814)
Other	195,215	181,513	170,701	(10,812)
Total revenues	599,241	588,339	583,586	(4,753)
<b>Library expenditures</b>				
General operations	599,241	626,620	592,511	34,109
Total expenditures	599,241	626,620	592,511	34,109
Excess (deficiency) of revenues over expenditures	-	(38,281)	(8,925)	29,356
Other financing sources (uses):				
Proceeds from sale of asset	-	-	-	-
Net change in fund balance	-	(38,281)	(8,925)	29,356
Fund balance, beginning	44,053	44,053	44,053	-
Fund balance, ending	\$ 44,053	\$ 5,772	\$ 35,128	\$ 29,356
<b>RDA revenues</b>				
Dedicated property taxes	\$ 525,000	\$ 643,115	\$ 643,115	\$ -
Other	3,020	5,845	6,220	375
Total revenues	528,020	648,960	649,335	375
<b>RDA expenditures</b>				
Community development	393,000	271,954	263,297	8,657
Excess (deficiency) of revenues over expenditures	135,020	377,006	386,038	9,032
Transfer to other funds	(8,600)	-	-	-
Net change in fund balance	126,420	377,006	386,038	9,032
Fund balance, beginning	352,109	352,109	352,109	-
Fund balance, ending	\$ 478,529	\$ 729,115	\$ 738,147	\$ 9,032

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

**As of June 30, 2020**

	<u>Water</u>	<u>Sewer</u>	<u>Storm water</u>	<u>Total 2020</u>	<u>Memorandum 2019</u>
<b>Assets</b>					
Current assets:					
Cash & cash equivalents	\$ 2,164,117	\$ 662,757	\$ 428,210	\$ 3,255,084	\$ 2,191,642
Accounts receivable, net	<u>207,842</u>	<u>188,171</u>	<u>19,800</u>	<u>415,813</u>	<u>309,163</u>
Total current assets	<u>2,371,959</u>	<u>850,928</u>	<u>448,010</u>	<u>3,670,897</u>	<u>2,500,805</u>
Noncurrent assets:					
Restricted cash	195,873	231,811	-	427,684	318,752
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	12,022,327	6,612,133	404,728	19,039,188	18,243,236
Buildings and equipment	744,850	360,384	265,750	1,370,984	1,446,514
Less accumulated depreciation	<u>(5,493,305)</u>	<u>(3,541,579)</u>	<u>(86,122)</u>	<u>(9,121,006)</u>	<u>(8,771,681)</u>
Total noncurrent assets	<u>7,943,304</u>	<u>3,663,599</u>	<u>584,356</u>	<u>12,191,259</u>	<u>11,711,230</u>
Deferred outflow of resources- pensions	<u>17,944</u>	<u>9,969</u>	<u>3,988</u>	<u>31,901</u>	<u>60,077</u>
Total assets and deferred outflow of resources	<u>\$ 10,333,207</u>	<u>\$ 4,524,496</u>	<u>\$ 1,036,354</u>	<u>\$15,894,057</u>	<u>\$ 14,272,112</u>

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

*Continued*

	Water	Sewer	Storm water	Total 2020	Memorandum 2019
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 90,067	\$ 161,852	\$ -	\$ 251,919	\$ 326,878
Accrued payables	20,102	8,875	801	29,778	18,838
Deposits	19,270	1,100	-	20,370	20,370
Accrued interest payable	-	-	6,507	6,507	9,341
Bonds payable - due within a year	-	36,141	34,424	70,565	116,440
Total current liabilities	<u>129,439</u>	<u>207,968</u>	<u>41,732</u>	<u>379,139</u>	<u>491,867</u>
Noncurrent liabilities:					
Net pension liability	21,606	12,003	4,801	38,410	94,641
Bond payable - due in more than one year	17,633	-	113,974	131,607	212,274
Total noncurrent liabilities	<u>39,239</u>	<u>12,003</u>	<u>118,775</u>	<u>170,017</u>	<u>306,915</u>
Total liabilities	<u>168,678</u>	<u>219,971</u>	<u>160,507</u>	<u>549,156</u>	<u>798,782</u>
Deferred inflow of resources- pensions	27,269	15,149	6,060	48,478	37,251
Total liabilities and deferred inflows	<u>195,947</u>	<u>235,120</u>	<u>166,567</u>	<u>597,634</u>	<u>836,033</u>
<b>Net Position</b>					
Net investment in capital assets	7,729,798	3,395,647	429,451	11,554,896	11,054,423
Restricted for debt service	-	36,141	-	36,141	162,640
Restricted for impact fees	195,873	195,670	-	391,543	156,112
Unrestricted	2,211,589	661,918	440,336	3,313,843	2,062,904
Total net position	<u>\$ 10,137,260</u>	<u>\$ 4,289,376</u>	<u>\$ 869,787</u>	<u>\$ 15,296,423</u>	<u>\$ 13,436,079</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, 2020**

	Water	Sewer	Storm water	Total 2020	Memorandum 2019
<b>Operating revenues:</b>					
Charges for services	\$ 1,792,449	\$ 2,246,862	\$ 241,946	\$ 4,281,257	\$ 3,611,412
Impact fees	122,275	110,882	-	233,157	279,746
Other	2,742	-	-	2,742	4,946
Total operating revenues	<u>1,917,466</u>	<u>2,357,744</u>	<u>241,946</u>	<u>4,517,156</u>	<u>3,896,104</u>
<b>Operating expenses:</b>					
Wages and benefits	194,574	110,143	46,734	351,451	321,730
Professional fees	9,763	40,809	2,250	52,822	162,754
Disposal and treatment	-	1,383,471	-	1,383,471	1,297,583
Utilities	83,208	-	-	83,208	98,247
Repairs and maintenance	268,469	28,707	69,363	366,539	487,440
Other	214,065	244,810	23,441	482,316	324,309
Facilities	48,280	26,554	13,000	87,834	66,435
Depreciation	293,831	150,466	51,486	495,783	475,609
Total operating expenses	<u>1,112,190</u>	<u>1,984,960</u>	<u>206,274</u>	<u>3,303,424</u>	<u>3,234,107</u>
Operating income (loss)	<u>805,276</u>	<u>372,784</u>	<u>35,672</u>	<u>1,213,732</u>	<u>661,997</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	15,650	7,790	3,031	26,471	25,082
Gain(loss) on disposal of assets	(166)	-	678	512	11,641
Interest expense	-	(3,378)	(7,642)	(11,020)	(16,216)
Transfers in (out)	-	7,000	33,000	40,000	7,000
Property tax	-	58,601	0	58,601	32,911
Contributed capital	192,943	241,550	97,555	532,048	512,523
Total non-operating revenue (expense)	<u>208,427</u>	<u>311,563</u>	<u>126,622</u>	<u>646,612</u>	<u>572,941</u>
Change in net position	1,013,703	684,347	162,294	1,860,344	1,234,938
Total net position, beginning	9,123,557	3,605,029	707,493	13,436,079	12,201,141
Total net position, ending	<u>\$ 10,137,260</u>	<u>\$ 4,289,376</u>	<u>\$ 869,787</u>	<u>\$ 15,296,423</u>	<u>\$ 13,436,079</u>

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

**For the Year Ended June 30, 2020**

	Water	Sewer	Storm water	Total 2020	Memorandum 2019
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$1,814,190	\$2,354,758	\$ 241,558	\$4,410,506	\$ 3,838,024
Payments to suppliers	(581,678)	(1,810,488)	(107,705)	(2,499,871)	(2,317,090)
Payments to employees	(194,574)	(110,143)	(46,734)	(351,451)	(321,730)
Net cash provided by operating activities	<u>1,037,938</u>	<u>434,127</u>	<u>87,119</u>	<u>1,559,184</u>	<u>1,199,204</u>
<b>Cash flows from capital and related financing activities</b>					
Dedicated property tax	-	58,601	-	58,601	32,911
Principal paid on capital debt	(6,617)	(111,394)	(32,781)	(150,792)	(103,026)
Interest paid on capital debt	-	(3,378)	(7,642)	(11,020)	(16,216)
Proceeds from sale of capital assets	-	-	678	678	31,025
Purchases of capital assets	(226,876)	(83,872)	-	(310,748)	(349,701)
Net cash used by capital and related financing activities	<u>(233,493)</u>	<u>(140,043)</u>	<u>(39,745)</u>	<u>(413,281)</u>	<u>(405,007)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>15,650</u>	<u>7,790</u>	<u>3,031</u>	<u>26,471</u>	<u>25,082</u>
Net cash provided by investing activities	<u>15,650</u>	<u>7,790</u>	<u>3,031</u>	<u>26,471</u>	<u>25,082</u>
Net increase (decrease) in cash and cash equivalents	820,095	301,874	50,405	1,172,374	819,279
Cash and equivalents, beginning	<u>1,539,895</u>	<u>592,694</u>	<u>377,805</u>	<u>2,510,394</u>	<u>1,691,115</u>
Cash and equivalents, ending	<u>\$2,359,990</u>	<u>\$ 894,568</u>	<u>\$ 428,210</u>	<u>\$3,682,768</u>	<u>\$ 2,510,394</u>
Presented in the financial statements as:					
Cash & cash equivalents	\$2,164,117	\$ 662,757	\$ 428,210	\$3,255,084	\$ 2,191,642
Restricted cash	<u>195,873</u>	<u>231,811</u>	<u>-</u>	<u>427,684</u>	<u>318,752</u>
Total cash and cash equivalents	<u>\$2,359,990</u>	<u>\$ 894,568</u>	<u>\$ 428,210</u>	<u>\$3,682,768</u>	<u>\$ 2,510,394</u>

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

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

*Continued*

	<u>Water</u>	<u>Sewer</u>	<u>Storm water</u>	<u>Total 2020</u>	<u>Memorandum 2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 805,276	\$ 372,784	\$ 35,672	\$1,213,732	\$ 661,997
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	293,831	150,466	51,486	495,783	475,609
Changes in assets & liabilities:					
Decrease (increase) in receivables	(103,276)	(2,986)	(388)	(106,650)	2,861
Decrease (increase) in interfund receivables	-	-	-	-	-
Decrease (increase) in deferred outflows	19,604	8,805	(233)	28,176	1,512
Increase (decrease) in accruals	18,516	(105,450)	(36,150)	(123,084)	83,718
Increase (decrease) in deposits	-	-	-	-	20,370
Increase (decrease) in deferred inflows	3,987	3,508	3,732	11,227	(53,863)
Miscellaneous expense/transfers	-	7,000	33,000	40,000	7,000
Total adjustments	<u>232,662</u>	<u>61,343</u>	<u>51,447</u>	<u>345,452</u>	<u>537,207</u>
Net cash provided (used) by operating activities	<u>\$1,037,938</u>	<u>\$ 434,127</u>	<u>\$ 87,119</u>	<u>\$1,559,184</u>	<u>\$ 1,199,204</u>
Non cash transactions:					
Capital contributions	<u>\$ 192,943</u>	<u>\$ 241,550</u>	<u>\$ 97,555</u>	<u>\$ 532,048</u>	<u>\$ 512,523</u>
Assets purchased through debt	<u>\$ 24,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,250</u>	<u>\$ 223,040</u>

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

**For the Year Ended June 30, 2020**

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**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 \$170,000 in library funding for the year ended June 30, 2020.

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***

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#### **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 funds 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***

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**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*

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**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	\$ 37,151,631
Accumulated depreciation	(18,258,177)
Total difference	<u>\$ 18,893,454</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	\$ (386,311)
Accrued interest	(9,667)
Compensated absences	(84,577)
	<u>\$ (480,555)</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 asset	\$ 69,995
Net pension liability	(201,655)
Deferred outflow of resources - pension	167,480
Deferred inflow of resources - pension	(254,507)
	<u>\$ (218,687)</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	\$ 1,321,248
Contributed capital	658,692
Proceeds on disposal of assets	(10,900)
Loss on disposal of assets	(19,999)
Depreciation expense	<u>(1,095,930)</u>
Net difference as reported	<u>\$ 853,111</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	\$ 115,523
Repayment of capital lease principal	80,623
New capital lease issuance	(353,814)
Change in accrued interest	(9,667)
Change in accrued compensated absences	33,955
	<u>\$ (133,380)</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, 2019.

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***

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

#### **Pensions**

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

### **3. CASH & INVESTMENTS**

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, 2020, \$1,179,866 of the local government's bank balances of \$1,429,866 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, 2020, the City had the following recurring fair value measurements.

<b>Investments by fair value level</b>	<b>6/30/2020</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 Fund	\$ 7,696,655	\$ -	\$ 7,696,655	\$ -
Total investments measured at fair value	<u>\$ 7,696,655</u>	<u>\$ -</u>	<u>\$ 7,696,655</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, 2020 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, 2020, 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 Fund	\$ 7,696,655	\$ 7,696,655	\$ -	\$ -
Total investments measured at fair value	\$ 7,696,655	\$ 7,696,655	\$ -	\$ -

**4. ACCOUNTS RECEIVABLE**

The City had accounts receivable as of June 30, 2020, as follows:

Property tax	\$ 2,017,639	
Sales tax	226,161	
Sewer	188,171	(net of \$18,069 allowance)
Garbage and dispatch fee	102,648	(net of \$9,854 allowance)
Class C Road funds	78,912	
Water	207,842	(net of \$19,958 allowance)
Court	3,534	(net of \$107,713 allowance)
Other receivables	30,992	
Energy use tax	45,987	
Storm water	19,800	(net of \$1,901 allowance)
Total	<u>\$ 2,921,686</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.

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2020 consisted of the following:

	<u>7/1/2019</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/2020</u>	<u>Due in 1 yr.</u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including interest at 5%.	\$ 90,831	\$ -	\$ 54,690	\$ 36,141	\$ 36,141
GMAC; \$560,000 due in monthly installments of \$32,911 including interest at 5%.	56,704	-	56,704	-	-
Total sewer fund				<u>\$ 36,141</u>	<u>\$ 36,141</u>
Storm water fund:					
Capital lease; \$223,040 due in annual installments of \$41,861 including interest of 4.9%, asset value \$265,750 with accumulated depreciation of \$66,438 and depreciation expense of \$44,292.	\$ 181,179	\$ -	\$ 32,781	<u>\$ 148,398</u>	<u>\$ 34,424</u>
Water fund:					
Capital lease; \$24,250 due in annual installments of \$6,617 including interest at 4.39%, asset value \$24,250 with accumulated depreciation of \$3,031 and depreciation expense of \$3,031.	-	24,250	6,617	<u>\$ 17,633</u>	<u>\$ -</u>

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

*Continued*

**6. LONG-TERM DEBT- *continued***

RDA fund:	<u>7/1/2019</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/2020</u>	<u>Due in 1 yr.</u>
Developer note payable for \$1,000,000 due as available from tax increment subsidies of approximately \$173,000 over 5 years.	\$ 228,643	\$ -	\$ 115,523	<u>\$ 113,120</u>	<u>\$ 113,120</u>
General fund:					
Capital lease; \$19,211 due in annual installments of \$4,315 including interest of 5.7%, asset value \$19,211 with accumulated depreciation of \$1,921 and depreciation expense of \$1,921.	\$ -	19,211	4,315	14,896	3,396
Capital lease; \$135,229 due in annual installments of \$30,376 including interest of 5.7%, asset value \$135,229 with accumulated depreciation of \$13,523 and depreciation expense of \$13,523.	-	135,229	30,376	104,853	23,909
Capital lease; \$24,250 due in annual installments of \$6,617 including interest at 4.39%, asset value \$24,250 with accumulated depreciation of \$3,031 and depreciation expense of \$3,031.	-	24,250	6,617	17,633	-
Capital lease; \$175,124 due in annual installments of \$39,315 including interest of 5.7%, asset value \$175,124 with accumulated depreciation of \$17,512 and depreciation expense of \$17,512.	-	175,124	39,315	<u>135,809</u>	<u>30,982</u>
Total general fund				<u>\$ 273,191</u>	<u>\$ 58,287</u>
Total long-term debt				<u>\$ 588,483</u>	<u>\$ 241,972</u>

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

***Continued***

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**6. LONG-TERM DEBT – *continued***

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

The annual requirements to amortize long-term debt outstanding as of June 30, 2020, were as follows:

<u>June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2021	\$ 241,972	\$ 23,490
2022	109,080	20,021
2023	115,379	13,721
2024	122,052	7,049
2025	-	-
Totals	<u>\$ 588,483</u>	<u>\$ 64,281</u>

## **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/general/publications](http://www.urs.org/general/publications).

**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 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year to June 2020; 2.0% per year July 2020 to present	Up to 2.5%

\*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, 2020 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	15.66%	1.03%
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	24.29%	0.70%
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	11.38%	0.70%
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, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory system	\$ 58,257	N/A
Firefighters system	8,460	27,621
Tier 2 public employees system	111,224	-
Tier 2 public safety and firefighter	5,248	-
Tier 2 DC public safety and firefighter system	34	N/A
Total contributions	<u>\$ 183,223</u>	<u>\$ 27,621</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, 2020, we reported a net pension asset of \$69,995 and a net pension liability of \$240,065.

	(Measurement Date): December 31, 2019			Proportionate	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Share 12/31/2018	Change (Decrease)
Noncontributory system	\$ -	\$ 225,998	0.0599647%	0.0691193%	-0.0091546%
Contributory system	-	-	0.0000000%	0.0000000%	0.0000000%
Firefighters system	69,995	-	0.5643873%	0.4991053%	0.0652820%
Tier 2 public employees system	-	10,431	0.0463781%	0.0394013%	0.0069768%
Tier 2 public safety and firefighter system	-	3,636	0.0386502%	0.0338694%	0.0047808%
Total net pension asset/liability	<u>\$ 69,995</u>	<u>\$ 240,065</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, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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, 2020, we recognized pension expense of \$7,866.

At June 30, 2020, 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	38,162	16,615
Changes in assumptions	59,099	5,995
Net difference between projected and actual earnings on pension plan investments	-	169,042
Changes in proportion and differences between contributions and proportionate share of contributions	11,479	111,333
Contributions subsequent to the measurement date	90,641	-
Total	<u>199,381</u>	<u>302,985</u>

\$90,641 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, 2019. 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
2020	\$ (90,098)
2021	(64,272)
2022	7,889
2023	(58,755)
2024	2,292
Thereafter	8,700

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

*Continued*

**7. PENSION PLANS – continued**

*Actuarial assumptions* – The total pension liability in the December 31, 2019, 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, 2019 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	\$ 705,874	\$ 225,998	\$ (174,211)
Firefighters system	143,142	(69,995)	(242,893)
Tier 2 public employees system	89,949	10,431	(51,022)
Tier 2 public safety & firefighter	12,843	3,636	(3,200)
Total	<u>\$ 951,808</u>	<u>\$ 170,070</u>	<u>\$ (471,326)</u>

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

***Continued***

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**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:

	2020	2019	2018
401(k) Plan			
Employer contributions	\$ 26,264	\$ 20,510	\$ 21,328
Employee contributions	36,603	41,006	45,874
457 Plan			
Employee contributions	7,274	11,011	8,538
Roth IRA Plan			
Employee contributions	3,860	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, 2020 were as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,069,909	\$ 29,455	\$ -	\$ 7,099,364
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>7,069,909</u>	<u>29,455</u>	<u>-</u>	<u>7,099,364</u>
Capital assets being depreciated:				
Distribution and collection systems	18,236,221	1,036,316	-	19,272,537
Buildings and equipment	10,079,633	914,169	214,072	10,779,730
Total capital assets being depreciated	<u>28,315,854</u>	<u>1,950,485</u>	<u>214,072</u>	<u>30,052,267</u>
Accumulated depreciation	(17,345,420)	(1,095,930)	(183,173)	(18,258,177)
Total capital assets being depreciated, net	<u>10,970,434</u>	<u>854,555</u>	<u>30,899</u>	<u>11,794,090</u>
Total governmental activities capital assets, net	<u>\$ 18,040,343</u>	<u>\$ 884,010</u>	<u>\$ 30,899</u>	<u>\$ 18,893,454</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	<u>474,409</u>	<u>-</u>	<u>-</u>	<u>474,409</u>
Capital assets being depreciated:				
Distribution and collection systems	18,243,236	795,952	-	19,039,188
Buildings and equipment	1,446,514	115,075	190,605	1,370,984
Total capital assets being depreciated	<u>19,689,750</u>	<u>911,027</u>	<u>190,605</u>	<u>20,410,172</u>
Accumulated depreciation for:				
Structures and systems	<u>(8,771,681)</u>	<u>(495,783)</u>	<u>(146,458)</u>	<u>(9,121,006)</u>
Total capital assets being depreciated, net	<u>10,918,069</u>	<u>415,244</u>	<u>44,147</u>	<u>11,289,166</u>
Total business-type activities capital assets	<u>\$ 11,392,478</u>	<u>\$ 415,244</u>	<u>\$ 44,147</u>	<u>\$ 11,763,575</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	\$	7,236
Public safety		70,180
Streets		666,933
Parks & recreation		351,581
Total depreciation expense	\$	<u>1,095,930</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, 2020 amounted to \$1,126,182.

**10. INTERFUND TRANSFERS**

The composition of interfund transfers as of June 30, 2020 is as follows:

Purpose	Amount	Transfer In	Transfer Out
Equipment	\$ 166,153	Capital Projects	General
Equipment	7,000	Sewer	General
Equipment	33,000	Storm water	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, 2020, 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 \$91,804 in the General, Water, Sewer, and Storm Water 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, 2020 amounted to \$138,684. 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*

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**12. OPERATING LEASES**

The City has various operating leases for equipment and vehicles and paid \$116,085 in rental payments for the year. The future required lease payments are as follows:

2021	\$ 116,084
2022	81,176
2023	81,176
2024	39,315
Total	<u>\$ 317,751</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 6, 2020, the date the financial statements were available to be issued.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

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

**For the Year Ended June 30, 2020**

	<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%
	2020	0.0599647%	225,998	354,339	63.78%	93.70%
Contributory system	2015	0.1471111%	\$ 42,433	\$ 78,637	53.96%	94.00%
	2016	0.1931606%	135,764	82,303	164.96%	85.70%
	2017	0.3581704%	117,520	85,939	136.75%	92.90%
	2018	0.2989745%	24,329	60,667	40.10%	98.20%
Public safety system	2015	0.1679745%	\$ 211,242	\$ 376,769	56.07%	90.50%
	2016	0.1760763%	315,397	398,523	79.14%	87.10%
	2017	0.0599182%	121,591	135,542	89.71%	86.50%
Firefighters system	2015	0.3947098%	\$ (22,524)	\$ 103,621	-21.74%	103.50%
	2016	0.4175805%	(7,563)	112,219	-6.74%	101.00%
	2017	0.3950045%	(3,114)	111,064	-2.80%	100.40%
	2018	0.5072530%	(31,681)	148,382	-21.35%	103.00%
	2019	0.4991053%	64,807	154,826	41.86%	94.30%
	2020	0.5643873%	(69,995)	180,703	-38.73%	105.00%

**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%
	2020	0.0463781%	10,431	644,353	1.62%	96.50%
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%
	2020	0.0386502%	3,636	63,745	5.70%	89.60%

\*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, 2020**

	<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%
	2020	58,257	58,257	-	315,413	18.47%
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%
	2020	8,460	8,460	-	183,524	4.61%

**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%
	2020	111,224	111,224	-	710,246	15.66%
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%
	2020	5,248	5,248	-	46,116	11.38%
Tier 2 public employees DC only system*	2014	\$ 477	\$ 477	\$ -	\$ 8,632	5.53%
Tier 2 public safety and firefighter DC only system*	2020	\$ 34	\$ 34	\$ -	\$ 42,233	0.08%

\*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 the Required Supplementary Information**

**For the Year Ended June 30, 2020**

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**1. CHANGES IN ASSUMPTIONS**

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

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## **SUPPLEMENTAL INFORMATION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of North Logan City, Utah (the "City"), as of and for the year ended June 30, 2020, 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 6, 2020.

**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 2020-1 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **North Logan City's Response to Findings**

North Logan City, Utah's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. 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 6, 2020



**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, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Other Related Restricted Revenues
- Open and Public Meetings Act
- Fraud Risk Assessment
- Cash Management

***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, 2020.

## **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 6, 2020

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## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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

**For the Year Ended June 30, 2020**

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**2020-1:   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 cash, debt, fixed assets, and accounts payable 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 to ensure that any proposed adjustments/activity are identified and up to date, with special attention given to a yearend review and adjustments prior to the yearly financial audit. 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. The City Recorder will review the sale of fixed assets each month to identify depreciated equipment sold and remove it from the depreciation schedule and review these with the City Administrator and Public Works Director at year end. The City Recorder will compare restricted asset accounts with restricted equity accounts each month to assure they balance, with special attention to any newly added accounts.

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

**For the Year Ended June 30, 2020**

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**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.

*Status:* See current year finding 2020-01.

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

*Continued*

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**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.

*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.

*Status:* The City was in compliance as of June 30, 2020.

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