

**LOGAN CITY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2019**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Logan City School District  
Logan, Utah

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Logan City School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position 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, the schedule of proportionate share of the net pension liability, the schedule of contributions, and budgetary comparison information, 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 District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit*

*Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020, on our consideration of the District'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 solely 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 the effectiveness of 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 District's internal control over financial reporting and compliance.



JONES SIMKINS LLC

Logan, Utah

January 17, 2020

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

As Management of the Logan City School District (the District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2019.

**Financial Highlights**

- The District reports \$21,014,110 in total General (Maintenance & Operations) Fund fund balance, which is an increase of \$3,662,851 from the prior year. Total General (Maintenance & Operations) Fund balance includes \$1,843 classified as nonspendable, \$3,561,537 restricted for program expenditures, \$2,200,000 committed for undistributed reserve, \$5,811,417 assigned for specific purposes, and \$9,439,313 unassigned fund balance.
- The District total General (Maintenance & Operations) Fund fund balance was 44.4% of budgeted expenditures, up from 39.2% for the prior fiscal year. The Administration feels fund balances and reserves are sufficient to maintain a sound financial position. The District has been successfully aggressive and proactive in dealing with economic challenges that face all Utah school districts as evidenced by the increase in fund balance in this past year. The Board and Administration remain committed to a conservative fiscal philosophy that maintains as its primary focus the students of Logan City School District.
- Fluctuations in student populations and the value of the Weighted Pupil Unit (WPU) make it difficult to budget financial and human resources to meet changing needs. The Board and Administration are closely monitoring these enrollment changes and setting long-term goals and plans for curriculum, staffing and facilities.
  - The value of the WPU increased in fiscal year 2019 to \$3,395 from \$3,311 in fiscal year 2018, an increase of \$84 or 2.5%.
  - The October 1, 2019 enrollment count for fiscal year 2020 increased to 5,569 from 5,547 on October 1, 2018, an increase of 22 students.
  - ADM for 2019 was 5,419 students and 2018 was 5,435 students, a decrease of 16 students. Fluctuations in student populations and the value of the WPU make it difficult to budget financial and human resources to meet changing needs. The Board and Administration are closely monitoring these enrollment changes and setting long-term goals and plans for curriculum, staffing and facilities.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A comparative presentation of government-wide information is also included in this discussion and analysis. The purpose of this narrative is to simplify and clarify the following financial statements.

Government-wide financial statements: *The government-wide financial statements* are designed to provide readers with a broad overview of the District's financial condition, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the remainder reported as *net position*. In future years, increases or decreases in net position may serve as one indicator of whether the overall financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during this fiscal year. 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, the financial statements are presented using the accrual method of accounting and revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and delinquent property taxes and employees earned, but unused, paid leave).

The District's government-wide financial statements also present the net position and a statement of activities for the Logan City School District Foundation (the Foundation). The Foundation is being presented as a discrete component unit in accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*".

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are *governmental funds*.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual *governmental funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General (Maintenance & Operations) Fund, Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the remaining three governmental funds, the Food Service, Student Activity, and Tax Increment funds, are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* later in this report.

The District adopts an annual budget, as legally required, for each governmental fund. Budgetary comparison statements have been provided as supplementary information to demonstrate compliance with these budgets.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: The combining and individual fund statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements located later in this report.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government entity's financial condition. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,471,749 at the close of the fiscal year. This amounts to an increase of \$6,087,385 in the District's overall financial position when compared to the prior year.

**LOGAN CITY SCHOOL DISTRICT'S NET POSITION**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 86,683,635	61,488,314
Capital assets	79,971,391	80,692,129
Total assets	166,655,026	142,180,443
Deferred outflows of resources	9,070,553	8,907,652
Other liabilities	6,312,443	6,632,840
Long-term liabilities outstanding	89,269,625	63,882,449
Total liabilities	95,582,068	70,515,289
Deferred inflows of resources	25,671,762	32,188,442
Net position:		
Net investment in capital assets	36,322,502	33,489,642
Restricted	4,896,497	4,670,748
Unrestricted	13,252,750	10,223,974
Total net position	\$ 54,471,749	48,384,364

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, construction in process, buildings and improvements, and equipment), less any related debt and related items (bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for liquidation and future operations. Since the capital assets themselves cannot be used to satisfy these liabilities, the District must obtain these resources from the annual voter-approved property taxes assessed solely for the purpose of meeting the requirements previously established in the outstanding bond repayment schedule.

An additional portion of the District's net position represents resources that are subject to restrictions for debt service and restrictions agreed upon when grant funds were applied for and received.

The remaining balance of *unrestricted net position* when positive may be used to meet the District's ongoing obligations to students, employees, and all other operational expenditures. Unrestricted net position has a positive balance of \$13,252,750 at year-end.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position, both for the District as a whole, as well as for its separate governmental activities.

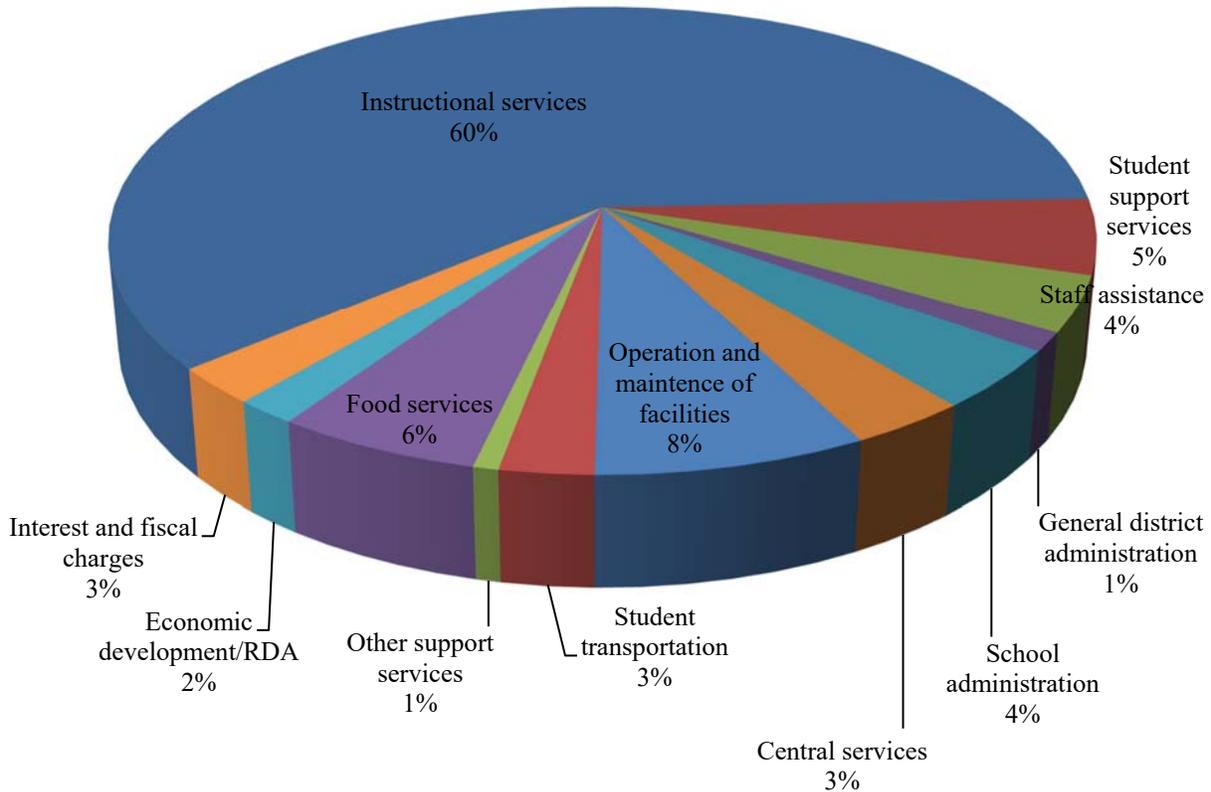
LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**LOGAN CITY SCHOOL DISTRICT'S CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,653,067	1,842,231
Operating grants and contributions	20,694,249	18,685,798
Capital grants and contributions	-	-
General revenues:		
Property taxes	26,734,173	24,919,049
Federal and state aid not restricted to specific purposes	15,054,762	15,730,743
Earnings on investments	1,121,831	569,247
Miscellaneous	887,922	1,541,315
Total revenues	<u>66,146,004</u>	<u>63,288,383</u>
Expenses:		
Instruction	36,334,148	32,247,757
Supporting services:		
Students	3,123,299	2,476,715
Staff assistance	2,343,655	1,987,218
General district administration	787,833	561,673
School administration	2,516,506	2,276,777
Central services	2,041,722	1,600,547
Operation and maintenance of facilities	4,700,669	5,502,474
Student transportation	1,624,224	1,618,266
Other student services	437,249	459,870
Food services	3,544,165	3,307,142
Economic development	1,062,343	1,430,494
Interest and fiscal charges	1,542,806	1,364,280
Total expenses	<u>60,058,619</u>	<u>54,833,213</u>
Increase in net position	<u>6,087,385</u>	<u>8,455,170</u>
Net position – beginning	<u>48,384,364</u>	<u>39,929,194</u>
Net position – ending	<u>\$ 54,471,749</u>	<u>48,384,364</u>

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

## Distribution of Expenses



The largest source of operational revenue continues to be from annual legislative appropriations for the state minimum school program which is administered by the Utah State Board of Education. This revenue source is based on WPUs (weighted pupil units) distributed to districts based on annual student enrollments and the amount established by the State legislature each year. The WPU value for fiscal year 2019 was \$3,395 for Regular WPUs, Special Education WPUs and WPUs associated with Career and Technical Ed programs.

Instructional services represent the largest dollar expenditure for District operations. Instruction and its direct student support services represent 65% of the District's total expenses.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with all legal requirements.

Governmental funds: The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial position. Fund balances are divided between nonspendable, restricted, committed, assigned, and unassigned balances. The District's committed and assigned fund balances are as follows:

- *Committed for undistributed reserve of \$2,200,000*: Utah law allows districts to establish an undistributed reserve within the General (Maintenance & Operations) Fund. The law limits this reserve to an amount not to exceed 5% of the General (Maintenance & Operations) Fund budget, or approximately \$2,366,000 at present. This reserve of \$2,200,000 represents an estimated 93% of the legal limit. These funds require specific Board authorization to spend and are set aside for future contingencies *and* programs. By law, "the Board may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees."
- *Assigned for capital projects and facility improvements of \$31,059,363*: From the fund balance of the Capital Projects Fund, the District has assigned \$2,500,000 for facility improvements and \$28,559,363 for other capital projects.
- *Assigned for programs of \$4,061,417*: From the fund balance of the General (Maintenance & Operations) Fund, the District has assigned \$600,000 for operation expenditures associated primarily with recreation center programs and \$3,461,417 for other school programs.
- *Assigned for retirement incentive of \$1,600,000*: From the fund balance of the General (Maintenance & Operations) Fund, the District has assigned \$1,600,000 for the early retirement benefit.
- *Assigned for future increase to undistributed reserve of \$150,000*: From the balance of the General Fund, the District has assigned \$150,000 which is to be committed to increase the undistributed reserve.
- *Assigned for school food service of \$1,007,154*: The District has assigned the fund balance of the School Food Service Fund for as a reserve for anticipated future operational costs of administering school lunch programs.
- *Assigned for students of \$651,152*: The District has assigned the fund balance of the Student Activity Fund, which represents unspent fees and other monies collected at the school level for student activities.

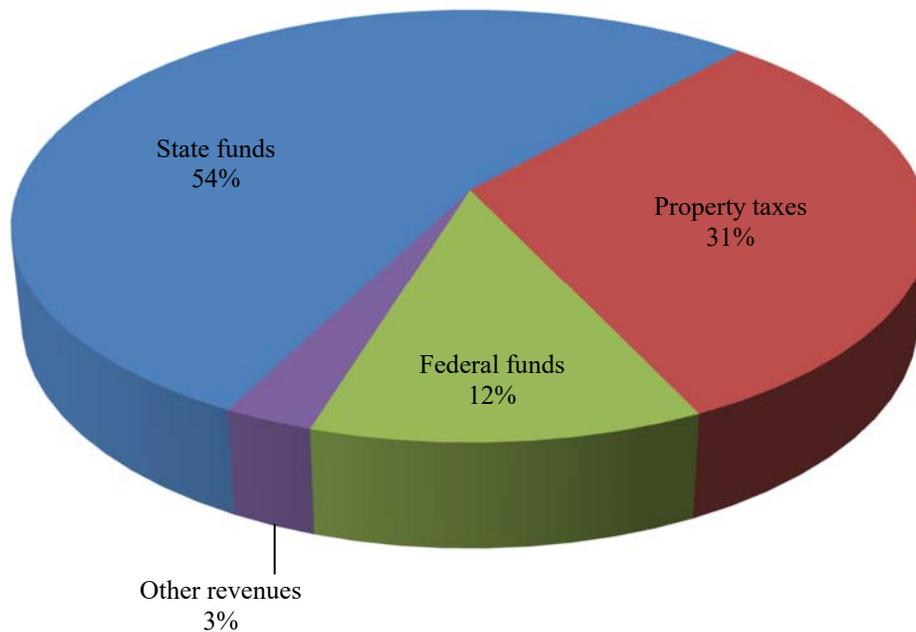
LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

Unassigned fund balances are appropriated in the following year's budget. Fund balances of the Capital Projects, Debt Service, and other Governmental Funds are assigned or restricted by State law to be expended as allowed by law.

The District operates six governmental type funds. A description of each fund and its significant activities follows.

- *The General (Maintenance & Operations) Fund:* This fund is the chief operating fund of the District. At the end of the current fiscal year, there was \$9,439,313 of unassigned fund balance. Total fund balance was \$21,014,110. The Administration is continuing to monitor and working to increase unassigned fund balance so that reserves can be maintained sufficient to offset unexpected budget shortfalls which could compromise District instructional programs. Average budgeted monthly expenditures for the upcoming year are approximately \$4,270,000.

### General Fund Revenue Sources



- *Debt Service Fund:* This fund has a fund balance is \$1,280,150. By law these funds are restricted for payment of principal and interest on the District's outstanding general obligation bonds. This fund balance decreased \$184,024 in fiscal year 2019.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

- *Capital Projects Fund:* This fund is for facility construction, renovation, capital maintenance and repairs, equipment, and the purchase of land. Its fund balance is \$31,059,363, an increase of \$21,180,005 primarily due to an issuance of a bond during fiscal year 2019.
- *School Food Service Fund:* This fund has a fund balance of \$1,120,772 and is earmarked for future operational costs of school lunch programs. This fund balance increased \$9,872 during fiscal year 2019.
- *Student Activity Fund:* This fund has a fund balance of \$651,152. All student activity funds represent unspent fees and other monies collected at the school level for designated programs within each school. This fund balance decreased \$1,141 during fiscal year 2019.
- *Tax Increment Fund:* This fund has no fund balance and is used by the District to account for property taxes levied by the District that are paid directly to the local redevelopment agencies in which the District participates.

### **General (Maintenance & Operations) Fund Budgetary Highlights**

During 2019, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The decrease in budgeted expenditures between the original budget and the final amended budget was approximately \$410,000 or 1% of total General (Maintenance & Operations) Fund expenditures. The increase in budgeted revenues between the original budget and the final amended budget was approximately \$493,000 or 1% of total General (Maintenance & Operations) Fund revenues. This increase was primarily due to an increase in local tax collection.

Even with these adjustments, actual expenditures were approximately \$908,000 less than final budgeted amounts and actual revenues were approximately \$1,340,000 more than budgeted amounts.

### **Capital Asset and Debt Administration**

Capital Assets: The District investment in capital assets is \$79,971,391, net of accumulated depreciation. This compares to the previous year amount of \$80,692,129. Investment in capital assets includes land, construction in process, buildings and improvements, and equipment; including District investment in the Logan Recreation Center, jointly operated with Logan City. At the government-wide reporting level, depreciation is a major District expense (approximately \$4 million for fiscal year 2019).

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

Long-Term Debt: Total bonded indebtedness at June 30, 2019 is \$59,850,000 including \$53,720,000 of voter authorized general obligation debt and \$6,130,000 of lease revenue bonds.

District general obligation debt is currently approximately 42% of the legal debt limit. The general obligation indebtedness of the District is limited by State law to 4% of the fair market value of taxable property in the District. As of January 2019 estimated debt incurring capacity is \$98.2 million. Current District debt is scheduled to be retired by 2039.

**Requests for Information**

This financial report is designed to provide a general overview of the Logan City School District's financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Jeff Barben, Business Administrator, Logan City School District, 101 West Center, Logan, Utah, 84321.

LOGAN CITY SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2019

	<u>Primary Government</u>		<u>Component</u>
	<u>Governmental</u>		<u>Unit</u>
	<u>Activities</u>	<u>Total</u>	<u>Foundation</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	-	444,383
Equity in pooled cash and investments	56,785,046	56,785,046	-
Investments	-	-	483,742
<b>Receivables:</b>			
Taxes	25,471,861	25,471,861	-
Intergovernmental	4,243,038	4,243,038	5,460
Other	-	-	4,439
Prepaid expenses	1,843	1,843	-
Inventories	113,618	113,618	-
Other current assets	-	-	7,043
<b>Capital assets:</b>			
Land	4,526,646	4,526,646	-
Construction in process	2,200,736	2,200,736	-
Other capital assets, net of depreciation	73,244,009	73,244,009	-
Total assets	<u>166,586,797</u>	<u>166,586,797</u>	<u>945,067</u>
<b>Deferred outflows of resources:</b>			
Deferred outflows related to pensions	<u>9,070,553</u>	<u>9,070,553</u>	<u>-</u>
Total deferred outflows of resources	<u>9,070,553</u>	<u>9,070,553</u>	<u>-</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	6,244,214	6,244,214	22,475
<b>Noncurrent liabilities, net:</b>			
Due within one year	2,996,000	2,996,000	-
Due in more than one year	62,546,610	62,546,610	-
Net pension liability	<u>23,727,015</u>	<u>23,727,015</u>	<u>-</u>
Total liabilities	<u>95,513,839</u>	<u>95,513,839</u>	<u>22,475</u>
<b>Deferred inflows of resources:</b>			
Property taxes for future periods	24,948,683	24,948,683	-
Deferred inflows related to pensions	<u>723,079</u>	<u>723,079</u>	<u>-</u>
Total deferred inflows of resources	<u>25,671,762</u>	<u>25,671,762</u>	<u>-</u>
<b>Net position:</b>			
Net investment in capital assets	36,322,502	36,322,502	-
<b>Restricted for:</b>			
Debt service	1,334,960	1,334,960	-
Program expenditures	3,561,537	3,561,537	-
Other purposes	-	-	692,395
Unrestricted	<u>13,252,750</u>	<u>13,252,750</u>	<u>230,197</u>
Total net position	<u>\$ 54,471,749</u>	<u>54,471,749</u>	<u>922,592</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Component Unit Foundation</u>
Primary government activities:						
Instruction	\$ 36,334,148	103,882	17,077,065	-	(19,153,201)	-
Support services:						
Students	3,123,299	948,460	-	-	(2,174,839)	-
Staff assistance	2,343,655	-	-	-	(2,343,655)	-
General district administration	787,833	-	-	-	(787,833)	-
School administration	2,516,506	-	-	-	(2,516,506)	-
Central services	2,041,722	-	-	-	(2,041,722)	-
Operation and maintenance of facilities	4,700,669	-	-	-	(4,700,669)	-
Student transportation	1,624,224	-	980,603	-	(643,621)	-
Other support services	437,249	-	-	-	(437,249)	-
Food services	3,544,165	600,725	2,636,581	-	(306,859)	-
Economic development/RDA	1,062,343	-	-	-	(1,062,343)	-
Interest and fiscal charges	1,542,806	-	-	-	(1,542,806)	-
Total primary government	<u>\$ 60,058,619</u>	<u>1,653,067</u>	<u>20,694,249</u>	<u>-</u>	<u>(37,711,303)</u>	<u>-</u>
Component unit - Foundation	<u>\$ 667,280</u>	<u>-</u>	<u>796,718</u>	<u>-</u>	<u>-</u>	<u>129,438</u>
General revenues:						
Taxes					26,734,173	-
State revenues and other contributions not restricted to specific purposes					15,054,762	109,438
Earnings on investments					1,121,831	22,957
Miscellaneous					887,922	-
Total general revenues					<u>43,798,688</u>	<u>132,395</u>
Change in net position					<u>6,087,385</u>	<u>261,833</u>
Net position - beginning					<u>48,384,364</u>	<u>660,759</u>
Net position - ending					<u>\$ 54,471,749</u>	<u>922,592</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	General (Maintenance & Operations)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 22,039,207	1,246,722	31,902,746	1,596,371	56,785,046
Receivables:					
Taxes	15,281,732	3,389,993	5,700,136	1,100,000	25,471,861
Intergovernmental	4,126,222	-	-	185,045	4,311,267
Prepaid expenses	1,843	-	-	-	1,843
Inventories	-	-	-	113,618	113,618
 Total assets	 <u>\$ 41,449,004</u>	 <u>4,636,715</u>	 <u>37,602,882</u>	 <u>2,995,034</u>	 <u>86,683,635</u>
Liabilities:					
Accounts payable	\$ 5,291,055	-	898,280	123,108	6,312,443
 Total liabilities	 <u>5,291,055</u>	 <u>-</u>	 <u>898,280</u>	 <u>123,108</u>	 <u>6,312,443</u>
Deferred inflows of resources:					
Property taxes for future periods	14,957,608	3,315,281	5,575,794	1,100,000	24,948,683
Unavailable revenues	186,231	41,284	69,445	-	296,960
 Total deferred inflows of resources	 <u>15,143,839</u>	 <u>3,356,565</u>	 <u>5,645,239</u>	 <u>1,100,000</u>	 <u>25,245,643</u>
Fund balances:					
Nonspendable	1,843	-	-	113,618	115,461
Restricted for:					
Debt service	-	1,280,150	-	-	1,280,150
Program expenditures	3,561,537	-	-	-	3,561,537
Committed for:					
Undistributed reserve	2,200,000	-	-	-	2,200,000
Assigned	5,811,417	-	31,059,363	1,658,308	38,529,088
Unassigned	9,439,313	-	-	-	9,439,313
 Total fund balances	 <u>21,014,110</u>	 <u>1,280,150</u>	 <u>31,059,363</u>	 <u>1,771,926</u>	 <u>55,125,549</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 41,449,004</u>	 <u>4,636,715</u>	 <u>37,602,882</u>	 <u>2,995,034</u>	 <u>86,683,635</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2019

Total fund balance - governmental funds \$ 55,125,549

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets are capitalized and depreciated over their estimated useful lives in the statement of net position. The historical cost of the assets is \$131,949,661 and the accumulated depreciation is \$51,978,270. 79,971,391

Some of the District's property taxes (delinquent taxes) will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds. Receivables and revenues are recorded on the accrual basis in the statement of activities. 296,960

Long-term liabilities, including outstanding general obligation bonds, capital leases, and post-employment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year-end are:

Bonds payable	(59,850,000)
Capital leases payable	(102,188)
Early retirement payable	<u>(1,611,852)</u>
	(61,564,040)

Net pension assets and liabilities and deferred outflows and inflows of resources related to pensions are not reported in funds but are reported in the statement of net position. Balances at year-end are:

Deferred outflows of resources related to pensions	9,070,553
Net pension liability	(23,727,015)
Deferred inflows of resources related to pensions	<u>(723,079)</u>
	(15,379,541)

Bond premiums are reported as other financing sources in the governmental fund financial statements but unamortized premiums are netted against the related debt on the statement of net position. (3,978,570)

Net position of governmental activities \$ 54,471,749

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	General (Maintenance & Operations)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local revenues:					
Taxes	\$ 15,707,191	3,802,331	6,244,273	1,062,343	26,816,138
Tuition	98,434	-	-	948,460	1,046,894
Earnings on investments	604,703	329	502,469	14,330	1,121,831
Food service sales	-	-	-	431,081	431,081
Local government units	4,309	-	-	-	4,309
Other local revenue	653,822	-	-	404,884	1,058,706
State grants-in-aid	27,095,492	-	-	525,428	27,620,920
Federal sources	6,016,938	-	-	2,111,153	8,128,091
Total revenues	<u>50,180,889</u>	<u>3,802,660</u>	<u>6,746,742</u>	<u>5,497,679</u>	<u>66,227,970</u>
Expenditures:					
Instruction	31,586,117	-	-	1,265,723	32,851,840
Support services:					
Students	2,766,537	-	-	44,685	2,811,222
Staff assistance	2,130,715	-	-	-	2,130,715
General district administration	698,163	-	-	-	698,163
School administration	2,251,905	-	-	-	2,251,905
Central services	1,850,228	-	-	-	1,850,228
Operation and maintenance of facilities	3,106,618	-	-	-	3,106,618
Student transportation	1,624,224	-	-	-	1,624,224
Other support services	392,295	-	-	-	392,295
Food services	-	-	-	3,227,434	3,227,434
Economic development	-	-	-	1,062,343	1,062,343
Acquisition, construction and maintenance	-	-	5,057,357	-	5,057,357
Debt Service:					
Redemption of principal	-	2,345,000	622,000	-	2,967,000
Interest and fiscal charges	-	1,641,684	366,216	-	2,007,900
Total expenditures	<u>46,406,802</u>	<u>3,986,684</u>	<u>6,045,573</u>	<u>5,600,185</u>	<u>62,039,244</u>
Other financing sources (uses):					
Bond proceeds	-	-	20,478,836	-	20,478,836
Transfers in	62,764	-	-	174,000	236,764
Transfers out	(174,000)	-	-	(62,763)	(236,763)
Total other financing sources (uses)	<u>(111,236)</u>	<u>-</u>	<u>20,478,836</u>	<u>111,237</u>	<u>20,478,837</u>
Net change in fund balances	<u>3,662,851</u>	<u>(184,024)</u>	<u>21,180,005</u>	<u>8,731</u>	<u>24,667,563</u>
Fund balances at beginning of year	17,351,259	1,464,174	9,879,358	1,763,195	30,457,986
Fund balances at end of year	<u>\$ 21,014,110</u>	<u>1,280,150</u>	<u>31,059,363</u>	<u>1,771,926</u>	<u>55,125,549</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 24,667,563

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

Capital acquisitions and improvements are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital acquisitions and improvements	3,311,711
Depreciation expense	(4,032,449)
	(720,738)

Bond proceeds are reported in governmental funds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net position, issuing debt increases liabilities and the repayment of principal reduces the liability. Also, government funds report deferred amounts and premiums as other financing sources and uses, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

Amortization of bond premium	268,123
Bond proceeds	(19,500,000)
Bond issuance premium	(781,867)
Payments of principal on outstanding bonds	2,967,000
	(17,046,744)

Capital lease proceeds are reported in governmental funds as an other financing source, while repayment of lease principal is reported as an expenditure. In the statement of net position, issuing debt increases liabilities and the repayment of principal reduces the liability.

Payments of principal on outstanding capital leases	318,474
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In the governmental funds, post employment benefits are recorded when paid. In the statement of net position, the amount due for future periods is recorded as a liability. During the year, post-employment benefits increased \$87,141.

(87,141)

The net effect of transactions involving net pension assets and liabilities and deferred outflows and inflows of resources related to pensions, and pension expense is to decrease net position.

(962,062)

Property taxes levied in prior years but not yet collected are not recognized in the governmental funds because they are not available. They are, however, recorded as revenues in the statement of activities. During the year, delinquent taxes receivable decreased \$81,967.

(81,967)

Change in net position - total governmental activities	\$ 6,087,385
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The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Logan City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity

*Primary Government*

The Logan City School District Board of Education (the Board) is the basic level of government that has oversight responsibility and control over all activities related to public school education in the City of Logan, Utah. The Board is comprised of five elected individuals and is the primary governing authority for the District. The Board is responsible for setting district policies, appointing the superintendent and the business administrator, and approving budgets and all related education matters.

The District is not included in any other reporting entity and is defined as an independent school district. The District is not a component unit of any other primary government. The Board has the authority to levy taxes, adopt budgets, and issue debt. The District receives funding from local, state, and federal sources and must comply with the requirements of these funding sources.

*Discrete Component Unit*

The Logan City School District Foundation (the Foundation) is a non-profit 501(c)(3) corporation organized for the purpose of seeking supplemental resources for education purposes. The Foundation receives support from the District and is fiscally accountable to the District for its operations. The Foundation qualifies to be reported as a discrete component unit of the District in accordance with the requirements of GASB Statement No. 39 “*Determining Whether Certain Organizations Are Component Units*”. The Foundation does not issue separate financial statements.

*Blended Component Unit*

The District has established a Municipal Building Authority (the Authority) pursuant to state code. The Governing Board of the Authority is comprised of the Logan City School Board. The purpose of the Authority is to serve the District as a financing agency for debt financed projects. Due to the restrictive nature of the State Board of Education’s fund structure, a separate Municipal Building Authority Capital Projects Fund and Debt Service Fund have not been established. Therefore, the District uses its Capital Projects fund to account for the construction and debt payments related to the Authority.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

*Undivided Interest in Joint Operation*

The Logan Recreation Center is jointly operated through an agreement between the District and the City of Logan. Both the District and the City have recorded their portion or interest in the recreation center as a capital asset. Operating expenses are shared equally and the City has assumed fiduciary responsibility for the Center.

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 activities of the District and the Foundation.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function.

Property taxes and other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and post-employment healthcare benefits, are recorded only when payment is due.

Property taxes, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the District receives cash.

When an expense/expenditure is incurred for which both restricted and unrestricted resources are available, it is the District's general policy to use restricted resources first. When an expense/expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

The District's policy is to allocate indirect costs in accordance with State school board policy.

The District's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

The focus of the fund financial statements is *major* funds. Major funds are defined based on a numerical formula and these funds generally represent the government's most important funds.

The District reports the following major governmental funds:

- The General (Maintenance & Operations) Fund is the District's primary operating fund. It accounts for resources devoted to financing the general services of the District. The fund is charged with all costs of operating the District for which a separate fund has not been established.
- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest and related costs of outstanding general obligation debt.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

- The Capital Projects Fund accounts for the financial resources used for the acquisition, construction, remodeling, maintenance, and repair of capital facilities and equipment by the District.

Additionally the District reports the following funds:

- The School Food Service Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to food service. This fund's expenditures are legally restricted for specified purposes.
- The Student Activities Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to student body groups.
- The Tax Increment Fund (a special revenue fund) is used to account for property taxes levied by the District that are paid directly to the local redevelopment agencies in which the District participates.

Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurer's Investment Fund (PTIF).

All investments are reported at fair value.

Receivables

District management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Inventories

Inventory items in the School Food Service Fund, a special revenue fund type, are recorded as expenditures when consumed rather than when purchased. Federal commodity contributions are recorded as revenue when they are received. Non-federal commodity inventory is valued at cost, using the first-in/first-out (FIFO) method. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture. All other funds record inventory type items as expenditures at the time purchases are made.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets include land, construction in process, buildings and improvements, and equipment. Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$10,000. All capital assets are valued at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 50
Equipment	5 to 15

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The following item qualifies for reporting in this category:

- Contributions made by the District prior to the District's fiscal year end, but subsequent to the pension measurement date of December 31, 2018, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between contributions and proportionate share of contributions are reported as deferred outflows in the government-wide statement of net position but not in the governmental funds balance sheet.

In addition to liabilities, the statement of financial position will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time. The following items qualify for reporting in this category:

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

- Unavailable revenue related to delinquent property taxes is reported in the governmental funds balance sheet but not in the government-wide statement of net position. Delinquent property taxes expected to be received after the availability period are considered unavailable under the modified accrual basis of accounting.
- Property taxes for future periods are reported in both the governmental funds balance sheet and the entity-wide statement of net position. Property tax revenues are not recognized prior to the period which they are intended to finance, even if an enforceable lien is in place prior to the beginning of the intended period. Thus, property taxes received or receivable as of year-end, which are intended to finance the following fiscal year, are deferred.
- Pension related differences between expected and actual experience, changes in pension assumptions, net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between contributions and proportionate share of contributions have resulted in deferred inflows that are reported in the government-wide statement of net position but not in the governmental funds balance sheet.

Compensated Absences

Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements.

Full-time employees (those with 12-month contracts) earn vacation days ranging from 10 to 15 days per year depending upon length of service. Terminating employees are not paid for unused vacation. One half of the annual vacation earned may be carried forward to subsequent years. Employees on contract are entitled to 3 days personal leave per year. Three unused personal leave days may be carried forward to subsequent years.

Retiring employees may only be paid for a maximum of 150 days of unused sick leave at a rate per day set in accordance with negotiated personnel agreements. Terminating employees are not paid for unused sick leave. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Post-Employment Benefits

The District's employees who meet certain requirements can request to retire under an early retirement program. This program provides for stipends and health insurance coverage for the retiree and are typically for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. However, some employees have received an eight year early retirement benefit. Expenditures are recorded in the General (Maintenance & Operations) Fund when paid. The amount of the known obligations is recorded as a liability in the government-wide financial statements in the statement of net position. The District also participates in a life insurance death benefit program for eligible employees.

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the statement of net position. Bond premiums, discounts, and deferred charges are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method when material.

In the governmental fund financial statements, bond premiums, discounts, and deferred charges are recognized during the period incurred. The face amount of debt issued is reported as an other financing source. Debt principal and interest payments are reported as expenditures in the period the payments are due.

Pension Related Assets, Liabilities, and Deferred Outflows and Inflows of Resources

For purposes of measuring the net pension liability, 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.

Interfund Balances and Transactions

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. In the government-wide Statement of Activities, transfers between governmental funds are eliminated. In the governmental fund financial statements, transfers are reported as other financing sources or uses.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications

Equity in the government-wide financial statements is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt, and associated items, attributable to the acquisition, construction or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on its use, whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either 1) not in spendable form or 2) are legally or contractually required to be maintained intact. The District has classified prepaid assets and inventory as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of resources which are either 1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

- Assigned – This classification includes amounts that are constrained by the Board’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board, Superintendent, or Business Administrator. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General (Maintenance & Operations) Fund.
- Unassigned – This classification includes the residual fund balance for the General (Maintenance & Operations) Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

Property Taxes

Real property taxes are collected by the Cache County Treasurer and subsequently remitted to the District. Real property taxes are assessed on the taxable value of property (as of January 1st) and such taxes are due and payable by November 30 of each year after which time they become delinquent. Personal property taxes and fees in lieu of tax are collected by the Cache County Treasurer and remitted to the District monthly.

It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, after which time, the Cache County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

All funds except the School Food Service and Student Activity funds are permitted to assess taxes. Certain tax rates have limitations as outlined by Utah State law. The tax rates of the District are within the prescribed limitations.

The District's combined tax rate includes the following:

*General (Maintenance & Operations) Fund:*

- Basic School Levy – The rate calculated by the State Tax Commission to support the basic educational program of the District based on the weighted pupil unit established by the State Legislature.
- Voted Local Levy – A rate approved by the voters within the District to maintain school programs not supported by other funding.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

- Board Local Levy – An optional rate adopted by the Board to assist in the reduction of overall class size.

*Debt Service Fund:*

- GO Bond Payments – A rate to provide required funds to pay the annual debt service principal and interest payments of the voter approved general obligation outstanding debt.

*Capital Outlay Fund:*

- Capital Local Levy – A rate to be used to purchase, maintain, and repair capital facilities, grounds and equipment.

Operating Grants Restricted and Unrestricted

The District receives Federal and State funds passed through the State Office of Education. Federal funds are recognized when qualifying expenses have been incurred and all other grant requirements have been met. State funding is based upon the number of students enrolled in the District (formula grants) and is recognized when received. State funds with purpose restrictions are presented as program revenues in the Statement of Activities. It is the District's policy to use restricted funds (i.e. operating grants and contributions) in compliance with specific award requirements and to provide instructional services.

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Note 2 – Deposits and 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 by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 2 – Deposits and Investments (continued)

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of 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 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.

Primary Government

At June 30, 2019, the District’s deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Government activities:			
Equity in pooled cash and investments:			
Demand deposits	\$ 5,970,200	-	5,970,200
Public Treasurer's Investment Pool	-	50,814,846	50,814,846
	<u>\$ 5,970,200</u>	<u>50,814,846</u>	<u>56,785,046</u>

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, approximately \$5,233,000 of the District’s bank balances of approximately \$6,264,000 were uninsured and uncollateralized.

**Investments**

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

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 2 – Deposits and Investments (continued)

Statutes authorize the District 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, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other 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 Act; and the Utah State Public Treasurer’s 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.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. 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 proportionately 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 – net of administration fees, of the PTIF 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. As of June 30, 2019, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’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 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 investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 2 – Deposits and Investments (continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing exposure to credit risk is to comply with the State’s Money Management Act as previously discussed. At June 30, 2019, all investments held by the District are in the PTIF which is unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for reducing this risk is to use the PTIF whenever possible.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s policy for custodial risk is to use the PTIF whenever possible.

Component Unit

At June 30, 2019, the Foundation’s deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Demand deposits	\$ 131,187	-	131,187
Public Treasurer's Investment Fund	-	92,331	92,331
Certificates of deposit	220,865	-	220,865
	<u>352,052</u>	<u>92,331</u>	<u>444,383</u>
Investments:			
Mutual funds	-	144,415	144,415
Government bonds	-	197,255	197,255
Equities	-	142,072	142,072
	<u>-</u>	<u>483,742</u>	<u>483,742</u>
Total investments	<u>-</u>	<u>483,742</u>	<u>483,742</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 2 – Deposits and Investments (continued)

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, approximately \$92,000 of the Foundation's bank balances of approximately \$446,000 were uninsured and uncollateralized.

**Investments**

The Foundation Board defines the types of securities authorized as appropriate investments for the Foundation and the conditions for making investment transactions. As of June 30, 2019, all government bonds held by the Foundation have a maturity of less than 1 year, all mutual funds are open-ended funds, and all equities are actively traded.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its interest rate risk is the same as described above for the primary government except when gifts specify that funds be held in prescribed investments.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's policy for reducing exposure to investment credit rate risk is the same as described above for the primary government except when gifts specify that funds be held in prescribed investments. At June 30, 2019, all investments held by the Foundation in equities and mutual funds are unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's policy for reducing its risk of loss due to concentrations is the same as described above for the primary government except when gifts specify that funds be held in prescribed investments.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 2 – Deposits and Investments (continued)

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation’s policy for custodial risk is to use the PTIF whenever possible except when gifts specify that funds be held in prescribed investments.

Note 3 – Fair Value Measurements

The District and the Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District and/or Foundation have the following recurring fair value measurements as of June 30, 2019:

- Utah Public Treasurers Investment Fund is valued by taking an entity’s position in the fund multiplied by the published fair value factor (Level 2 inputs).
- Mutual funds and equity stocks are valued at the daily closing price as publicly reported (Level 1 inputs).

Note 4 – Receivables

The District’s receivables consist primarily of: 1) amounts due from federal agencies and the State of Utah, 2) amounts due from the Cache County School District, and 3) property taxes receivable from Cache County.

Property taxes receivable are summarized as follows:

Levied for future years	\$ 24,948,683
Levied for current and prior years (delinquent)	296,960
Taxes receivable subject to accrual	<u>226,218</u>
	<u>\$ 25,471,861</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 5 – Capital Assets

A summary of changes in capital assets follows:

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance 6/30/2019</u>
Capital assets, not being depreciated:				
Land	\$ 4,361,646	165,000	-	4,526,646
Construction in process	-	2,200,736	-	2,200,736
	<u>4,361,646</u>	<u>2,365,736</u>	<u>-</u>	<u>6,727,382</u>
Capital assets, being depreciated:				
Buildings and improvements	120,268,195	654,091	-	120,922,286
Equipment	4,008,109	291,884	-	4,299,993
	<u>124,276,304</u>	<u>945,975</u>	<u>-</u>	<u>125,222,279</u>
Total capital assets	<u>128,637,950</u>	<u>3,311,711</u>	<u>-</u>	<u>131,949,661</u>
Accumulated depreciation for:				
Buildings and improvements	(45,300,104)	(3,498,178)	-	(48,798,282)
Equipment	(2,645,717)	(534,271)	-	(3,179,988)
	<u>(47,945,821)</u>	<u>(4,032,449)</u>	<u>-</u>	<u>(51,978,270)</u>
Total capital assets, net	<u>\$ 80,692,129</u>	<u>(720,738)</u>	<u>-</u>	<u>79,971,391</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 5 – Capital Assets (continued)

Depreciation expense was charged to functions of the District as follows:

Instruction	\$ 2,721,904
Food services	282,271
Support services:	
Students	241,947
Staff assistance	161,298
School administration	201,622
Operation and maintenance of facilities	141,136
Central services	161,298
Other support services	40,324
General district administration	<u>80,649</u>
	\$ <u>4,032,449</u>

Note 6 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

Payables to vendors	\$ 2,030,034
Payroll taxes and benefits payable	2,322,879
Wages payable	<u>1,891,301</u>
	\$ <u>6,244,214</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Obligations

Long-term liability activity for the year ended June 30, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 36,565,000	19,500,000	(2,345,000)	53,720,000	1,720,000
Lease revenue bonds	6,752,000	-	(622,000)	6,130,000	635,000
Bond issuance premiums	3,464,825	781,868	(268,123)	3,978,570	-
	46,781,825	20,281,868	(3,235,123)	63,828,570	2,355,000
Post-retirement benefits	1,524,711	727,089	(639,948)	1,611,852	584,000
Capital leases	420,662	-	(318,474)	102,188	57,000
Total governmental activity long-term liabilities	<u>\$ 48,727,198</u>	<u>21,008,957</u>	<u>(4,193,545)</u>	<u>65,542,610</u>	<u>2,996,000</u>

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and the purchase of school equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the taxpayers in the District. Payments on the general obligation bonds are made by the Debt Service Fund from property taxes. The District is current on all bond payments and is in compliance with the significant terms of the bond agreements.

*Lease Revenue Bonds*

The Municipal Building Authority issues lease revenue bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and the purchase of school equipment. Payments on lease revenue bonds are designed to equal income generated by leasing the acquired or constructed assets to the District. For the current year, interest was paid in the amount of \$57,084. Lease payments will continue each fiscal year through the maturity of the lease revenue bonds.

*Bond Issuance Premiums*

Premiums received at the issuance of new bonds are being amortized over the life of the related debt.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Obligations (continued)

*Post-Retirement Benefits*

The District provides benefits in the form of early retirement and associated health insurance costs. Early retirement may be applied for and is available to employees who obtain administrative approval and qualify based on the eligibility requirements. As a result, early retirement costs and associated health benefit costs are accounted for as termination benefits. The early retirement obligation is not covered as part of the District's pension plans.

The projected future cost of early retirement and medical insurance benefits has been calculated based on the amount payable in the next fiscal year plus projected increases of 15% for medical premiums.

As of June 30, 2019, there were 36 individuals participating in the early retirement program. The estimated net present value of the early retirement benefits is \$1,611,852.

*Capital Leases*

The District entered into a capital lease on August 3, 2016 in the amount of \$140,013 for the purchase of laptops. Lease payments are due annually on August 15 in the amount of \$36,560, until 2020, with an applicable interest rate of 2.94%.

The District entered into a capital lease on June 15, 2017 in the amount of \$110,850 for the purchase of software. Lease payments are due annually on July 15 in the amount of \$24,894, until 2022, with an applicable interest rate of 5.883%.

The aggregate cost of assets under capital lease is \$294,563 with accumulated amortization of \$179,235. Amortization expense for fiscal year 2019 was \$68,098.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Obligations (continued)

Bonds payable at June 30, 2019, are comprised of the following individual issuances:

\$35,500,000 series 2014, general obligation bonds due in annual installments of approximately \$1,756,000 to \$2,877,000, including interest ranging from 3.125% to 5%, starting in 2015 through 2035.	\$ 34,220,000
\$4,826,000 series 2017, Municipal Building Authority lease revenue bonds due in annual installments of \$278,000 to \$364,000, including interest ranging from 1% to 3.8%, starting in 2017 through March 15, 2033.	4,283,000
\$19,500,000 series 2019, general obligation bond due in annual installments of \$230,000 to \$3,715,000, including interest ranging from 3.25% to 5%, starting in 2020 through June 15, 2039.	19,500,000
\$6,906,000 series 2008, Municipal Building Authority lease revenue bonds due in annual installments of \$386,000 to \$428,000, including interest of 2.59%, starting in 2009 through April 1, 2025.	<u>1,847,000</u>
	\$ <u><u>59,850,000</u></u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Obligations (continued)

The annual cash requirements to amortize all bonds outstanding as of June 30, 2019 including interest payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,355,000	2,287,548	4,642,548
2021	2,453,000	2,188,818	4,641,818
2022	2,557,000	2,085,119	4,642,119
2023	2,666,000	1,976,714	4,642,714
2024	2,697,000	1,861,817	4,558,817
2025-2029	13,564,000	7,535,856	21,099,856
2030-2034	16,163,000	4,550,722	20,713,722
2035-2039	17,395,000	1,808,081	19,203,081
	<u>\$ 59,850,000</u>	<u>24,294,675</u>	<u>84,144,675</u>

The annual cash requirement to amortize capital lease liability outstanding as of June 30, 2019 including interest payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 56,472	4,981	61,453
2021	22,205	2,690	24,895
2022	23,511	1,383	24,894
	<u>\$ 102,188</u>	<u>9,054</u>	<u>111,242</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 8 – Fund Balance

*Nonspendable Fund Balances*

Nonspendable fund balances represent monies that cannot be spent because they are either 1) not in spendable form or 2) are legally or contractually required to be maintained intact. Nonspendable fund balances consist of the following:

Inventories	\$ 113,618
Prepaid expenses	<u>1,843</u>
	<u>\$ 115,461</u>

Nonspendable fund balance for inventory – Was created to represent the portion of fund balance that is not available for expenditures because the District maintains an inventory of food supplies.

Nonspendable fund balance for prepaid expenses – Was created to represent the portion of fund balance that is not available for expenditures because the District has prepaid certain expenses.

*Restricted Fund Balances*

Restricted fund balances represent monies required to be maintained to satisfy third party agreements or legal requirements. Restricted fund balances consist of the following:

Program expenditures	\$ 3,561,537
Debt service	<u>1,280,150</u>
	<u>\$ 4,841,687</u>

Restricted for program expenditures – The restriction for program expenditures represents unexpended carryover funds for specific programs and was created to restrict the use of resources for those programs in the following year.

Restricted for debt service – The restriction for debt service represents unspent taxes levied for debt service, including both principal and interest payments.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 8 – Fund Balance (continued)

*Committed Fund Balances*

Committed for undistributed reserve – State statute 53A-19-103 allows school districts to have an undistributed M&O reserve not to exceed five percent of the total M&O budget by a written resolution adopted by a majority vote of the Board. According to law, the Board may not use undistributed reserves in negotiations or settlement of contract salaries for District employees. As of June 30, 2019, the District has an undistributed reserve of \$2,200,000.

*Assigned Fund Balances*

Assigned fund balances include the remaining positive fund balance for all governmental funds except the General (Maintenance & Operations) Fund and monies that have been constrained by the Board’s intent to be used for a specific purpose but are neither restricted nor committed. Assigned fund balances consist of the following:

Capital projects	\$ 31,059,363
Programs	4,061,417
Retirement incentive	1,600,000
School food service	1,007,154
Student activity	651,154
Future increase to undistributed reserve	<u>150,000</u>
	<u>\$ 38,529,088</u>

Note 9 – Operating Leases

The District has entered into an operating lease and service agreement with Xerox Corporation for copier services at the Mount Logan Middle School. Lease expense related to this operating lease was approximately \$17,000 for the year ended June 30, 2019.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 10 – Interfund Transfers

The District made the following interfund transfers:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Fees remitted to the District	\$ 62,764	General Fund	Student Activity
To assist student programs	174,000	Student Activity	General Fund

Note 11 – Retirement Plans

General Information about the Pension Plan

*Plan Description*

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 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 Utah Retirement Systems, 560 East 200 South, Salt lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

*Benefits Provided*

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

<u>System</u>	<u>Final Average Salary</u>	<u>Years of service required and/or age eligible for benefit</u>	<u>Benefit percent per year of service</u>	<u>COLA**</u>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
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%

\* with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

*Contributions*

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2019 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
12 State and School Division - Tier 1	6.00%	17.70%	N/A
112 State and School Division - Tier 2	N/A	18.87%	1.15%
Noncontributory System			
16 State and School Division - Tier 1	N/A	22.19%	1.50%
Tier 2 DC Only			
212 State and School Division	N/A	10.02%	10.00%

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

Noncontributory System	\$ 3,536,125	N/A
Contributory System	28,482	9,655
Tier 2 Public Employees System	1,153,983	-
Tier 2 DC Only System	<u>115,258</u>	<u>N/A</u>
Total contributions	<u>\$ 4,833,848</u>	<u>9,655</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

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

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

At June 30, 2019, the District reported a net pension asset of \$0 and a net pension liability of \$23,727,015.

	(Measurement Date): December 31, 2018				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2017	Change (Decrease)
Noncontributory System	\$ -	22,987,260	0.6178512%	0.6164252%	0.0014260%
Contributory System	-	551,286	0.7764555%	0.5976242%	0.1788313%
Tier 2 Public Employees	-	188,469	0.4400608%	0.4774572%	(0.0373964%)
	<u>\$ -</u>	<u>23,727,015</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, the District recognized pension expense of \$5,787,361.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 123,779	361,489
Change in assumptions	2,385,348	3,387
Net difference between projected and actual earnings on pension plan investments	4,067,574	-
Changes in proportion and differences between contributions and proportionate share of contributions	134,506	358,203
Contributions subsequent to the measurement date	<u>2,359,346</u>	<u>-</u>
	<u>\$ 9,070,553</u>	<u>723,079</u>

\$2,359,346 reported as deferred outflows of resources related to pensions results from contributions made by the District prior to the District’s fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 2,624,661
2020	\$ 877,849
2021	\$ 516,189
2022	\$ 1,931,185
2023	\$ 5,451
Thereafter	\$ 32,793

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

*Actuarial Assumptions*

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases: 3.25% – 9.75%, average, including inflation
- Investment rate of return: 6.95%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is 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.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

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%
	<u>100%</u>		4.75%
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>7.25%</u>

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.5% and a real return of 4.45% that is net of investment expense.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95% from 7.2% from the prior measurement period.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

*Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate*

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 41,318,706	22,987,260	7,650,717
Contributory System	1,155,297	551,286	35,869
Tier 2 Public Employees System	755,041	188,469	(248,784)
Total	<u>\$ 43,229,044</u>	<u>23,727,015</u>	<u>7,437,802</u>

*Pension Plan Fiduciary Net Position*

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

General Information about Other Retirement Plans

*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 of 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.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 11 – Retirement Plans (continued)

The District participates in the following Defined contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
401(k) Plan			
Employer Contributions	\$ 444,492	440,746	396,175
Employee Contributions	\$ 351,849	356,513	342,444
457 Plan			
Employer Contributions	\$ -	-	-
Employee Contributions	\$ 36,296	18,018	18,247
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 36,956	29,547	26,979
Traditional IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 1,200	300	-

Note 12 – Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The District participates in the Utah State Risk Management Insurance Fund, a public entity risk pool managed by an agency of the State government. The District pays an annual premium to a trust set up for the forty school districts in the State which participate in the risk pool for general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2019 there were no outstanding unpaid claims. For the past three years, the District has had no claim settlements that exceeded its insurance coverage.

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LOGAN CITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL (MAINTENANCE & OPERATIONS) FUND  
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Local sources:				
Taxes	\$ 14,045,000	14,801,778	15,707,191	905,413
Tuition	50,000	5,120	98,434	93,314
Earnings on investments	500,000	508,018	604,703	96,685
Local government units	12,000	55,658	4,309	(51,349)
Other local revenue	825,562	952,604	653,822	(298,782)
State grants-in-aid	27,951,952	26,818,153	27,095,492	277,339
Federal sources	4,963,525	5,699,557	6,016,938	317,381
Total revenues	<u>48,348,039</u>	<u>48,840,888</u>	<u>50,180,889</u>	<u>1,340,001</u>
Expenditures:				
Instruction	33,604,592	31,987,093	31,586,117	400,976
Support services:				
Students	2,619,737	2,784,992	2,766,537	18,455
Staff assistance	2,132,935	2,190,707	2,130,715	59,992
General district administration	563,384	717,219	698,163	19,056
School administration	2,423,391	2,281,118	2,251,905	29,213
Central services	1,631,086	2,331,900	1,850,228	481,672
Operation and maintenance	2,864,044	3,021,257	3,106,618	(85,361)
Student transportation	1,396,139	1,578,103	1,624,224	(46,121)
Other support services	488,932	421,921	392,295	29,626
Total expenditures	<u>47,724,240</u>	<u>47,314,310</u>	<u>46,406,802</u>	<u>907,508</u>
Other financing sources (uses):				
Transfer from student activity fund	150,000	107,686	62,764	(44,922)
Transfer to student activity fund	(200,000)	(174,000)	(174,000)	-
Total other financing uses	<u>(50,000)</u>	<u>(66,314)</u>	<u>(111,236)</u>	<u>(44,922)</u>
Net change in fund balance	<u>573,799</u>	<u>1,460,264</u>	3,662,851	<u>2,202,587</u>
Fund balance at beginning of year			<u>17,351,259</u>	
Fund balance at end of year	\$		<u>21,014,110</u>	

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>December 31,</u> 2018	<u>December 31,</u> 2017	<u>December 31,</u> 2016	<u>December 31,</u> 2015	<u>December 31,</u> 2014
<b>Noncontributory Retirement System:</b>					
Proportion of the net pension liability (asset)	0.617851%	0.6164252%	0.6327430%	0.6434373%	0.6210112%
Proportionate share of the net pension liability (asset)	\$ 22,987,260	15,073,829	20,506,675	20,212,208	15,603,084
Covered employee payroll	\$ 16,005,859	15,735,779	16,419,635	16,793,652	16,698,625
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143.62%	95.79%	124.89%	120.36%	93.44%
Plan fiduciary net position as a percentage of its covered-employee payroll	84.1%	89.2%	84.9%	84.5%	87.2%
<b>Contributory Retirement System:</b>					
Proportion of the net pension liability (asset)	0.7645550%	0.5976242%	0.4921531%	0.4020582%	0.3437181%
Proportionate share of the net pension liability (asset)	\$ 551,286	39,326	269,679	251,951	37,688
Covered employee payroll	\$ 150,689	135,976	131,930	127,363	126,077
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	365.84%	28.92%	204.41%	197.82%	29.89%
Plan fiduciary net position as a percentage of its covered-employee payroll	91.4%	99.2%	93.4%	92.4%	98.7%
<b>Tier 2 Public Employees Retirement System:</b>					
Proportion of the net pension liability (asset)	0.4400608%	0.4774572%	0.5090727%	0.5330405%	0.5209576%
Proportionate share of the net pension liability (asset)	\$ 188,469	42,096	56,787	(1,164)	(15,787)
Covered employee payroll	\$ 5,163,642	4,694,880	4,174,819	3,442,116	2,549,232
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3.65%	0.90%	1.36%	-0.03%	-0.62%
Plan fiduciary net position as a percentage of its covered-employee payroll	90.8%	97.4%	95.1%	100.2%	103.5%

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS

	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
<b>Noncontributory System:</b>						
	2019	\$ 3,536,125	\$ 3,536,125	\$ -	\$ 15,951,409	22.17%
	2018	\$ 3,446,829	\$ 3,446,829	\$ -	\$ 15,529,725	22.20%
	2017	\$ 3,516,116	\$ 3,516,116	\$ -	\$ 15,839,879	22.20%
	2016	\$ 3,717,497	\$ 3,717,497	\$ -	\$ 16,830,936	22.09%
	2015	\$ 3,636,109	\$ 3,636,109	\$ -	\$ 16,740,018	21.72%
	2014	\$ 3,414,657	\$ 3,414,657	\$ -	\$ 17,088,050	19.98%
<b>Contributory System:</b>						
	2019	\$ 28,482	\$ 28,482	\$ -	\$ 160,914	17.70%
	2018	\$ 24,687	\$ 24,687	\$ -	\$ 139,476	17.70%
	2017	\$ 23,523	\$ 23,523	\$ -	\$ 132,898	17.70%
	2016	\$ 23,091	\$ 23,091	\$ -	\$ 130,458	17.70%
	2015	\$ 27,308	\$ 27,308	\$ -	\$ 161,073	16.95%
	2014	\$ 19,479	\$ 19,479	\$ -	\$ 124,113	15.69%
<b>Tier 2 Public Employees System:*</b>						
	2019	\$ 1,153,983	\$ 1,153,983	\$ -	\$ 6,165,611	18.72%
	2018	\$ 851,992	\$ 851,992	\$ -	\$ 4,638,683	18.37%
	2017	\$ 932,393	\$ 932,393	\$ -	\$ 5,117,972	18.22%
	2016	\$ 752,015	\$ 752,015	\$ -	\$ 4,122,066	18.24%
	2015	\$ 591,520	\$ 591,520	\$ -	\$ 3,347,053	17.67%
	2014	\$ 411,098	\$ 411,098	\$ -	\$ 2,508,307	16.39%
<b>Tier 2 Public Employees DC Only System:*</b>						
	2019	\$ 115,258	\$ 115,258	\$ -	\$ 1,150,282	10.02%
	2018	\$ 129,861	\$ 129,861	\$ -	\$ 1,213,095	10.70%
	2017	\$ 53,654	\$ 53,654	\$ -	\$ 535,464	10.02%
	2016	\$ 64,089	\$ 64,089	\$ -	\$ 639,299	10.02%
	2015	\$ 28,109	\$ 28,109	\$ -	\$ 285,393	9.85%
	2014	\$ 16,124	\$ 16,124	\$ -	\$ 201,346	8.01%

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

LOGAN CITY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019

Note 1 – Budgetary Basis of Accounting

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a GAAP basis. Budgets are not adopted at the District level for the Logan City School District Foundation. Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at fiscal year end.

Note 2 – Budgeted Increases and Decreases

Each fund has a balanced budget. Any excess of revenues over expenditures in the budget columns in the Required Supplementary Information schedule represents budgeted increases to fund balance approved by the District's Board of Education. Any deficiency of revenues over expenditures in the budget columns on Required Supplementary Information schedules represents fund balance appropriated by the District's Board of Education.

Note 3 – Budget Adoption and Monitoring

The District's procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule are as follows:

The Superintendent and Business Administrator submit to the Board of Education during June of each year a tentative operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Included also is a final amended budget for the current year ending June 30<sup>th</sup>.

Prior to June 22, the Board of Education holds a public hearing at which time taxpayers' comments are heard. At the conclusion of the budget hearing, the budget as amended, is legally enacted by Board action. However, if property tax revenue budgeted exceeds the certified tax rate as established by the State Tax Commission, the District can only adopt a tentative budget for those funds that contain property tax increases. The District is then required to hold a public hearing to comply with "Truth in Taxation" State law. The District publishes a prescribed advertisement in the local newspaper stating the amount and percentage of the proposed tax change above the certified rate. The District then holds a public hearing before August 17<sup>th</sup>. After the public hearing, the Board of Education then adopts the final tax rates and authorizes the corresponding budget. The budget is then approved reflecting the tax rates adopted and other approved changes from the tentative budget.

Budget appropriations may only be changed by action of the Board of Education. If an increase in budget appropriations at the fund level is proposed, the procedures used when enacting the original budget including a properly advertised public hearing are followed.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019

Note 4 – Proportionate Share of Net Pension Liability

*Changes in Assumptions*

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

LOGAN CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
DEBT SERVICE  
MAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>			<u>2018</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Local sources:				
Taxes	\$ 3,607,146	3,802,331	195,185	3,684,656
Earnings on investments	15,000	329	(14,671)	-
Total revenues	<u>3,622,146</u>	<u>3,802,660</u>	<u>180,514</u>	<u>3,684,656</u>
Expenditures:				
Redemption of principal	2,345,000	2,345,000	-	2,290,000
Interest and fiscal charges	1,714,188	1,641,684	72,504	1,500,001
Total expenditures	<u>4,059,188</u>	<u>3,986,684</u>	<u>72,504</u>	<u>3,790,001</u>
Net change in fund balance	<u>(437,042)</u>	(184,024)	<u>253,018</u>	(105,345)
Fund balance at beginning of year		<u>1,464,174</u>		<u>1,569,519</u>
Fund balance at end of year	\$	<u>1,280,150</u>		<u>1,464,174</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
CAPITAL PROJECTS  
MAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Revenues:				
Local sources:				
Taxes	\$ 5,904,207	6,244,273	340,066	5,892,993
Earnings on investments	500,000	502,469	2,469	49,270
Other local revenue	-	-	-	600,910
Total revenues	<u>6,404,207</u>	<u>6,746,742</u>	<u>342,535</u>	<u>6,543,173</u>
Expenditures:				
Acquisition, construction and maintenance	6,614,145	5,057,357	1,556,788	7,333,258
Redemption of principal	791,247	622,000	169,247	626,000
Interest and fiscal charges	-	366,216	(366,216)	122,694
Total expenditures	<u>7,405,392</u>	<u>6,045,573</u>	<u>1,359,819</u>	<u>8,081,952</u>
Other financing sources (uses):				
Bond proceeds	<u>20,501,429</u>	<u>20,478,836</u>	<u>(22,593)</u>	<u>-</u>
Total other financing sources:	<u>20,501,429</u>	<u>20,478,836</u>	<u>(22,593)</u>	<u>-</u>
Net change in fund balance	<u>19,500,244</u>	21,180,005	<u>1,679,761</u>	(1,538,779)
Fund balance at beginning of year		<u>9,879,358</u>		<u>11,418,137</u>
Fund balance at end of year	\$	<u>31,059,363</u>		<u>9,879,358</u>

LOGAN CITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	School Food Service	Student Activity	Tax Increment	
<b>Assets:</b>				
Equity in pooled cash and investments \$	876,988	719,383	-	1,596,371
<b>Receivables:</b>				
Taxes	-	-	1,100,000	1,100,000
Intergovernmental	185,045	-	-	185,045
Inventories	113,618	-	-	113,618
<b>Total assets</b>	<b>\$ 1,175,651</b>	<b>719,383</b>	<b>1,100,000</b>	<b>2,995,034</b>
<b>Liabilities:</b>				
Accounts payable	\$ 54,879	68,229	-	123,108
<b>Total liabilities</b>	<b>54,879</b>	<b>68,229</b>	<b>-</b>	<b>123,108</b>
<b>Deferred inflows of resources:</b>				
Property taxes for future periods	-	-	1,100,000	1,100,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,100,000</b>	<b>1,100,000</b>
<b>Fund balances:</b>				
Nonspendable	113,618	-	-	113,618
Assigned	1,007,154	651,154	-	1,658,308
<b>Total fund balances</b>	<b>1,120,772</b>	<b>651,154</b>	<b>-</b>	<b>1,771,926</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,175,651</b>	<b>719,383</b>	<b>1,100,000</b>	<b>2,995,034</b>

LOGAN CITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>School Food Service</u>	<u>Student Activity</u>	<u>Tax Increment</u>	
Revenues:				
Local revenues:				
Taxes	\$ -	-	1,062,343	1,062,343
Tuition	-	948,460	-	948,460
Earnings on investments	-	14,330	-	14,330
Food service sales	431,081	-	-	431,081
Other local revenue	169,644	235,240	-	404,884
State grants-in-aid	525,428	-	-	525,428
Federal sources	2,111,153	-	-	2,111,153
Total revenues	<u>3,237,306</u>	<u>1,198,030</u>	<u>1,062,343</u>	<u>5,497,679</u>
Expenditures:				
Instruction	-	1,265,723	-	1,265,723
Support services - students	-	44,685	-	44,685
Food services	3,227,434	-	-	3,227,434
Economic development/RDA	-	-	1,062,343	1,062,343
Total expenditures	<u>3,227,434</u>	<u>1,310,408</u>	<u>1,062,343</u>	<u>5,600,185</u>
Other financing sources (uses):				
Transfers in	-	174,000	-	174,000
Transfers out	-	(62,763)	-	(62,763)
Total other financing sources	<u>-</u>	<u>111,237</u>	<u>-</u>	<u>111,237</u>
Net change in fund balances	<u>9,872</u>	<u>(1,141)</u>	<u>-</u>	<u>8,731</u>
Fund balances at beginning of year	<u>1,110,900</u>	<u>652,295</u>	<u>-</u>	<u>1,763,195</u>
Fund balances at end of year	<u>\$ 1,120,772</u>	<u>651,154</u>	<u>-</u>	<u>1,771,926</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
SCHOOL FOOD SERVICE  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>			<u>2018</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Local sources:				
Food service sales	\$ 430,561	431,081	520	430,816
Other local revenue	155,229	169,644	14,415	172,314
State grants-in-aid	500,000	525,428	25,428	464,712
Federal sources	<u>2,245,228</u>	<u>2,111,153</u>	<u>(134,075)</u>	<u>2,103,533</u>
Total revenues	<u>3,331,018</u>	<u>3,237,306</u>	<u>(93,712)</u>	<u>3,171,375</u>
Expenditures:				
Food services:				
Salaries	1,040,650	1,110,100	(69,450)	985,914
Employee benefits	310,079	327,173	(17,094)	298,983
Food	1,358,471	1,426,672	(68,201)	1,387,592
Supplies, repairs and other	<u>602,281</u>	<u>363,489</u>	<u>238,792</u>	<u>466,834</u>
Total expenditures	<u>3,311,481</u>	<u>3,227,434</u>	<u>84,047</u>	<u>3,139,323</u>
Net change in fund balance	<u>19,537</u>	9,872	<u>(9,665)</u>	32,052
Fund balance at beginning of year		<u>1,110,900</u>		<u>1,078,848</u>
Fund balance at end of year	\$	<u>1,120,772</u>		<u>1,110,900</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
STUDENT ACTIVITY  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>			<u>2018</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Local sources:				
Tuition	\$ 1,200,000	948,460	(251,540)	1,088,889
Earnings on investments	2,500	14,330	11,830	12,022
Other local revenue	490,000	235,240	(254,760)	287,819
Total revenues	<u>1,692,500</u>	<u>1,198,030</u>	<u>(494,470)</u>	<u>1,388,730</u>
Expenditures:				
Instruction:				
Purchased services	245,000	994,105	(749,105)	135,866
Supplies	1,300,000	189,814	1,110,186	1,207,861
Other	180,700	81,804	98,896	76,410
Support services:				
Students:				
Purchased services	39,000	22,370	16,630	31,180
Supplies	-	22,315	(22,315)	5,345
Other	-	-	-	3,564
Other support services:				
Supplies	6,700	-	6,700	-
Total expenditures	<u>1,771,400</u>	<u>1,310,408</u>	<u>460,992</u>	<u>1,460,226</u>
Other financing sources (uses):				
Transfer from general fund	174,000	174,000	-	174,000
Transfer to general fund	(100,000)	(62,763)	37,237	(100,156)
Total other financing sources	<u>74,000</u>	<u>111,237</u>	<u>37,237</u>	<u>73,844</u>
Net change in fund balance	<u>(4,900)</u>	(1,141)	<u>3,759</u>	2,348
Fund balance at beginning of year		<u>652,295</u>		<u>649,947</u>
Fund balance at end of year	\$	<u>651,154</u>		<u>652,295</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
TAX INCREMENT  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Revenues:				
Local sources:				
Taxes	\$ 1,062,343	1,062,343	-	1,430,494
Total revenues	<u>1,062,343</u>	<u>1,062,343</u>	<u>-</u>	<u>1,430,494</u>
Expenditures:				
Economic development/RDA	<u>1,062,343</u>	<u>1,062,343</u>	<u>-</u>	<u>1,430,494</u>
Total expenditures	<u>1,062,343</u>	<u>1,062,343</u>	<u>-</u>	<u>1,430,494</u>
Net change in fund balance	<u>-</u>	-	<u>-</u>	-
Fund balance at beginning of year		<u>-</u>		<u>-</u>
Fund balance at end of year	\$	<u>-</u>		<u>-</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Logan High	\$ 1,264,562	-	67,893,095	1,768,536	70,926,193
Mt. Logan	341,903	-	13,899,388	382,882	14,624,173
Woodruff	749,082	-	10,116,836	179,398	11,045,316
Bridger	236,400	-	8,123,972	51,254	8,411,626
Wilson	351,158	-	7,091,560	-	7,442,718
Adams	219,172	-	4,296,717	71,744	4,587,633
District Office	451,702	-	2,431,467	1,663,390	4,546,559
Ellis	524,929	-	2,589,418	53,369	3,167,716
Hillcrest	234,892	2,200,736	2,492,335	129,420	5,057,383
South Campus	87,639	-	1,462,870	-	1,550,509
Riverside	65,207	-	524,628	-	589,835
	<u>\$ 4,526,646</u>	<u>2,200,736</u>	<u>120,922,286</u>	<u>4,299,993</u>	<u>131,949,661</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN CAPITAL ASSETS  
Year Ended June 30, 2019

	<u>Balance</u> <u>6/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2019</u>
Logan High	\$ 70,890,228	35,965	-	70,926,193
Mt. Logan	14,261,790	362,383	-	14,624,173
Woodruff	10,939,816	105,500	-	11,045,316
Bridger	8,411,626	-	-	8,411,626
Wilson	7,442,718	-	-	7,442,718
Adams	4,587,633	-	-	4,587,633
District Office	4,117,242	429,317	-	4,546,559
Ellis	3,167,716	-	-	3,167,716
Hillcrest	2,691,647	2,365,736	-	5,057,383
South Campus	1,537,699	12,810	-	1,550,509
Riverside	589,835	-	-	589,835
	<u>\$ 128,637,950</u>	<u>3,311,711</u>	<u>-</u>	<u>131,949,661</u>

LOGAN CITY SCHOOL DISTRICT

SINGLE AUDIT REPORTS

June 30, 2019

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-Thru Grantor's Number	Expenditures
<u>U.S. Dept of Education (ED)</u>			
Passed Through State Office of Education:			
Title I Grants to Local Educational Agencies Cluster:			
Title I Grants to Local Educational Agencies	84.010	18T1FT, 19T1FT	\$ 2,139,884
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	18FTFL, 19FTFL	1,025,101
Special Education Preschool Grants	84.173	18PRE, 19PRE	<u>56,713</u>
Special Education Cluster (IDEA)			1,081,814
Career and Technical Education - Basic Grants to States			
	84.048	18FLEA, 19FLEA	120,203
Education for Homeless Children and Youth	84.196	17MVFT, 18MVFT	5,842
Twenty-First Century Community Learning Centers	84.287	18ASFT, 19ASFT	429,643
English Language Acquisition State Grants	84.365	17ELFT, 18ELFT	103,591
Supporting Effective Instruction State Grants Gaining Early Awareness and Readiness for Undergraduate Programs	84.367	182FT, 192FT	190,190
	84.334	N/A	1,101,807
Migrant Education	84.011	18MGFT	2,501
Passed Through Department of Workforce Services:			
Temporary Assistance for Needy Families	93.558	N/A	<u>279,517</u>
Total ED			<u>5,454,992</u>
<u>Corporation of National and Community Service (CNCS)</u>			
Passed through Ogden City School District:			
AmeriCorps	94.006	N/A	<u>57,787</u>
Total CNCS			<u>57,787</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-Thru Grantor's Number	Expenditures
<u>U.S. Department of Agriculture (USDA)</u>			
Passed through State Office of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	18SBP, 19SBP	\$ 322,445
Fed School Lunch Program 4-6	10.555	18NSLP, 19NSLP	280,618
Fed School Lunch Program 6	10.555	18NSLF, 19NSLF	<u>1,211,861</u>
Total Child Nutrition Cluster			1,814,924
Commodity Supplemental Food Program	10.565	N/A	226,098
Child and Adult Care Food Program	10.558	18ASSP, 19ASSP	70,131
Passed through Cache County, Utah:			
Schools and Roads - Grants to States	10.665	N/A	<u>52,296</u>
Total USDA			<u>2,163,449</u>
			<u>\$ 7,676,228</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2019

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the basic financial statements. The Schedule is required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Note 2 – Summary of Significant Account Policies

Basis of Accounting

The information in the Schedule is presented in accordance with Uniform Guidance. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

Uniform Guidance requires that the Schedule show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

Uniform Guidance establishes the levels of expenditures or expenses and other criteria to be used in defining major programs. Major programs have been noted on the Schedule of Findings and Questioned Costs in accordance with those definitions.

Commodities

Federal commodity contributions are recorded as revenues. Expenditures are recorded when inventory is consumed. The fair market value of inventory received is included in the schedule of federal awards as Food Distribution.

Indirect Costs

The Schedule includes a portion of costs associated with general activities that are allocated to federal financial assistance programs using direct labor as a basis of allocation. Logan City School District has not elected to use the 10% de minimis indirect cost rate.

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INDEPENDENT AUDITORS' 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 Board of Education  
Logan City School District  
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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Logan City School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2020.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questions costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying *corrective action plan*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JONES SIMKINS LLC

Logan, Utah

January 17, 2020



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

To the Board of Education  
Logan City School District

**Report on Compliance for Each Major Federal Program**

We have audited Logan City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District'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 major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 District'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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 were not identified.

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

*Jones Simkins LLC*

JONES SIMKINS LLC

Logan, Utah

January 17, 2020

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

A. Summary of Auditors' Results:

*Financial Statements*

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued:                       | Unmodified    |
| 2. Internal control over financial reporting:             |               |
| • Material weakness(es) identified?                       | Yes           |
| • Significant deficiency(ies) identified?                 | None reported |
| 3. Non-compliance material to financial statements noted? | No            |

*Federal Awards*

- |   |  |
|---|--|
| 4. Internal control over major programs:  |  |
| • Material weakness(es) identified?   | No   |
| • Significant deficiency(ies) identified?   | None identified                                      |
| 5. Type of auditors' report issued on compliance for major programs:                                      | Unmodified   |
| 6. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No   |
| 7. Identification of major programs:  | IDEA<br>CFDA #: 84.173, 84.027                       |
|   | STARS Gear Up<br>CFDA #: 84.334                      |
|   | Food Distribution<br>(Commodities)<br>CFDA #: 10.565 |
| 8. Dollar threshold used to distinguish between type A and type B programs:                               | \$750,000  |
| 9. Auditee qualified as low-risk auditee?   | Yes  |

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

- B. Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.

Finding 2019-001

Criteria: Internal control standards adopted by the Government Accountability Office expect that management have sufficient policies, procedures, and controls in place to ensure that if controls cease operating, detection and corrective action occurs on a timely basis.

Condition: During the year, key controls such as bank reconciliations ceased being performed on a timely basis. Identification of control weaknesses and corrective actions taken were not sufficient to ensure that the District could get ready for the year-end audit on a timely basis.

Cause: Certain controls ceased functioning.

Effect: Significant time and effort was required to catch the accounting up to a point where an audit could be performed at year-end. Timely reporting of the financial statements was not achieved.

Recommendation: The District's management needs to determine what additional resources can be used if certain controls are not being performed on a monthly basis. The District also should consider if additional resources are needed on a permanent basis to ensure timely reporting of financial information.

Finding 2019-002

Criteria: Internal control standards adopted by the Government Accountability Office expect that documentation of policies and procedures sufficient to ensure that critical knowledge is not lost due to employee turnover.

Condition: During the year, there was a significant loss of accounting and software operations knowledge due to employee turnover.

Cause: Lack of cross-training and lack of documentation.

Effect: Significant effort was required to get the year-end accounting completed and material auditor proposed journal entries were required to prepare the year-end financial statements.

Recommendation: The District needs to improve its documentation of critical policies and procedures to help ensure that critical accounting functions continue under unexpected turnover or other unforeseen circumstances.

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

- C. Findings and questioned costs related to federal awards required to be reported in accordance with the Uniform Guidance.

None

LOGAN CITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(Client Submitted Document)  
Year Ended June 30, 2019

There were no audit findings in the prior year related to federal awards.

LOGAN CITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
(Client Submitted Document)  
Year Ended June 30, 2019

In October 2018, the Payroll/Benefits Specialist accepted another position, which was the third Payroll/Benefits Specialist to leave the position in 2 years. The District Accountant assisted in the training of all of the new Payroll/Benefits Specialists because he had previously been responsible for completing payroll. A replacement was hired in November 2018 and the office of the Payroll/Benefit Specialist was relocated, which meant that the District Accountant was solely responsible for running payroll and training the new Payroll/Benefit Specialist in addition to his other assigned duties. With the increased work load, the District Accountant fell behind in other assigned duties including reconciliations. The District Accountant initially requested additional time for the Payroll/Benefits Specialist position, then later changed the request to hiring another position that could provide additional help to both the Accountant and the Payroll/Benefits Specialist. While these requests were being evaluated, the District Accountant accepted another position outside of the District and the Payroll/Benefits Specialist accepted another position within the district. A new position of Administrative Assistant for the business department was approved and hired in May 2019. The new District Accountant and a new Payroll/Benefits Specialist were hired in June 2019. This created an incredibly difficult situation for the new District Accountant who had to learn school finance, a new financial software (Alio) and had to complete reconciliations and other duties that had not been completed by the former District Accountant. This also created difficulties for the new Administrative Assistant and the new Payroll/Benefits Specialist to learn their roles. In addition, we had several major malfunctions with Alio that occurred during this transition that took days or weeks to be resolved. Support and training requests for Alio during this critical period were delayed for days and sometimes weeks. In addition, changes were made to the Utah Public Education Financial System (UPEFS) that required extensive remapping and the Utah State Office of Education (USBE) had significant turnover in their finance department resulting in the district not being able to receive needed assistance.

Corrective action steps to resolve material weaknesses:

1. The Business Administrator will report monthly to the Superintendent on the timeliness of payroll and reconciliations, training received by business office staff, employee work hours including overtime and significant errors.
2. An additional full time Administrative Assistant was hired to ensure cross training for payroll and accounting duties and to assume some of the responsibilities from the District Accountant and the Payroll/Benefits Specialist.
3. Intensive training has been provided, including targeted initial Alio training, attendance at the Alio National Conference, two full days of Alio Boost training, follow up Alio targeted training and training provided by Utah Retirement Systems and USBE.
4. The Business Administrator has assumed some of the responsibilities that formerly were assigned to the District Accountant and has received additional cross training on audit procedures.
5. A new agreement was made with Alio to enable the business department to request additional support directly from Alio (instead of their third-party software support partner) when needed. Alio software and support will be evaluated through September 2020 to determine whether or not to continue usage.

LOGAN CITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
(Client Submitted Document)  
Year Ended June 30, 2019

6. Payroll processes and documentation have been improved for greater accuracy and efficiency. The first version of a formal manual for payroll-related processes will be drafted by end of FY20.
7. Documentation of accounting processes have been enhanced to ensure that critical knowledge is not lost due to employee turnover. The first version of a formal manual for Accounting-related processes will be drafted by end of FY20.
8. The business office has been relocated into adjoining offices to enhance communication and collaboration within the department.

LOGAN CITY SCHOOL DISTRICT  
STATE COMPLIANCE REPORT

June 30, 2019



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

To the Board of Education  
Logan City School District  
Logan, Utah

**Report on Compliance**

We have audited Logan City School District's (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June 30, 2019.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- School District Tax Levies
- Open and Public Meetings Act
- Cash Management
- Minimum School Program

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

### ***Opinion on Compliance***

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2019-003 and 2019-004. Our opinion on compliance is not modified with respect to these matters.

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

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

Management of the District 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 District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those 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 District'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.

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying schedule of findings and recommendations as items 2019-003 and 2019-004.

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.



JONES SIMKINS LLC  
Logan, Utah  
January 17, 2020

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2019

Findings related to our audit of compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*.

Finding 2019-003

Board meeting minutes were not posted to the Utah Public Notice website within three days of meetings as is required by the Open and Public Meetings Act.

Recommendation: We recommend the District establish procedures to ensure the timely submittal of board meeting minutes to the Utah Public Notice website.

District Response: Upon receipt of the information from the audit, Logan City School District will ensure that the approved minutes are posted on the district website, Boardbook and the Utah Public Notice Website.

Finding 2019-004

We noted once instance of an employee taking leave of absence for which proper paperwork was not submitted to the Utah Retirement System office as required by the state compliance audit guide.

Recommendation: Although the instance noted above was corrected subsequent to year end, we recommend controls be implemented to ensure all instances of employee leave of absence are reported to the Utah Retirement System office.

District Response: After learning of this requirement, Logan City School District will report proper instances of employee leave of absence to Utah Retirement Systems.