

LOGAN CITY SCHOOL DISTRICT

**Basic Financial Statements
with Supplementary Information**

Year Ended June 30, 2020

LOGAN CITY SCHOOL DISTRICT

Table of Contents

Year Ended June 30, 2020

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	16
Notes to Basic Financial Statements	17
Required Supplementary Information:	
Schedules of the District's Proportionate Share of Net Pension Liability (Asset) - Utah Retirement Systems	38
Schedules of District Contributions - Utah Retirement Systems	39
Notes to Required Supplementary Information	40
Combining and Individual Fund Statements and Schedules (Supplementary Information):	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Debt Service Fund</i>	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Capital Projects Fund</i>	43
Combining Balance Sheet - Other Governmental Funds	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>School Food Service Fund</i> - Special Revenue Fund	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Pass-Through Taxes Fund</i> - Special Revenue Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Logan Schools Foundation</i> - Special Revenue Fund	48
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Student Activity Fund</i> - Special Revenue Fund	49



Independent Auditor's Report

Board of Education
Logan City School District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2020, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Logan City School District as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the *general fund* 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 schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, and the schedules of District contributions – Utah Retirement Systems, and the related notes to the required supplementary information 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules 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 November 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 the District's 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.

Squire & Company, PC

Orem, Utah
November 17, 2020

Management's Discussion and Analysis

This section of Logan City School District's (the District) annual financial report presents management's discussion and analysis (MD&A) of the District's performance during the year ended June 30, 2020. The MD&A is intended to provide an analysis directly related to the information presented in the District's financial statements, which follow this section.

Financial Highlights

- The District's total net position was \$54.5 million at the close of the most recent fiscal year, most of which is invested in capital assets.
- During 2020, expenses were \$3.8 million less than the \$67.5 million generated in taxes and other revenues for governmental activities.
- Property tax revenue totals \$28.0 million in 2020, an increase of \$1.3 million from the prior year. Instruction expense totals \$38.8 million in 2020, an increase of \$0.8 million from the prior year.

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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the 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 the most recent 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, 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 taxes and unpaid early retirement benefits).

The government-wide financial statements can be found on pages 10 and 11 of this report.

The government-wide financial statements of the District are reported as governmental activities; the District has no business-type activities. Governmental activities and functions include instructional services, supporting services, school food services, community services, contributions to other governments, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated 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 classified as 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. Such information may be useful in evaluating the District's near-term financing requirements.

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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 seven 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 fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each governmental fund is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 10 through 16 of this report.

Notes to Basic 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. The notes to basic financial statements can be found on pages 17 through 37 of this report.

Additional Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 38 to 40 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with governmental funds are presented as supplementary information. This information can be found on pages 41 through 49 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$54.5 million.

LOGAN CITY SCHOOL DISTRICT'S Net Position

June 30, 2020 and 2019
(in millions of dollars)

	Governmental activities		Total change 2020-2019
	2020	2019	
Current and other assets	\$ 80.6	\$ 87.6	\$ (7.0)
Capital assets	90.8	80.0	10.8
Total assets	171.4	167.6	3.8
Deferred outflows of resources	3.8	9.1	(5.3)
Current and other liabilities	11.3	9.7	1.6
Long-term liabilities outstanding	79.8	90.6	(10.8)
Total liabilities	91.1	100.3	(9.2)
Deferred inflows of resources	29.6	25.7	3.9
Net position:			
Net investment in capital assets	36.7	36.3	0.4
Restricted	15.9	14.5	1.4
Unrestricted	1.9	(0.1)	2.0
Total net position	\$ 54.5	\$ 50.7	\$ 3.8

The key elements of the District's net position at June 30, 2020 are as follows:

- The largest portion of the District's net position (\$36.7 million) reflects its investment in capital assets (e.g., land, construction in progress, buildings, and equipment net of accumulated depreciation) less any related outstanding debt (general obligation and lease revenue bonds payable) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position (\$15.9 million) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of net position (\$1.9 million) is unrestricted. This balance is net of the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by the Utah Retirement Systems.

The District's net position increased by \$3.8 million during the current year. The following is a discussion and analysis of the governmental activities for the year.

Governmental Activities

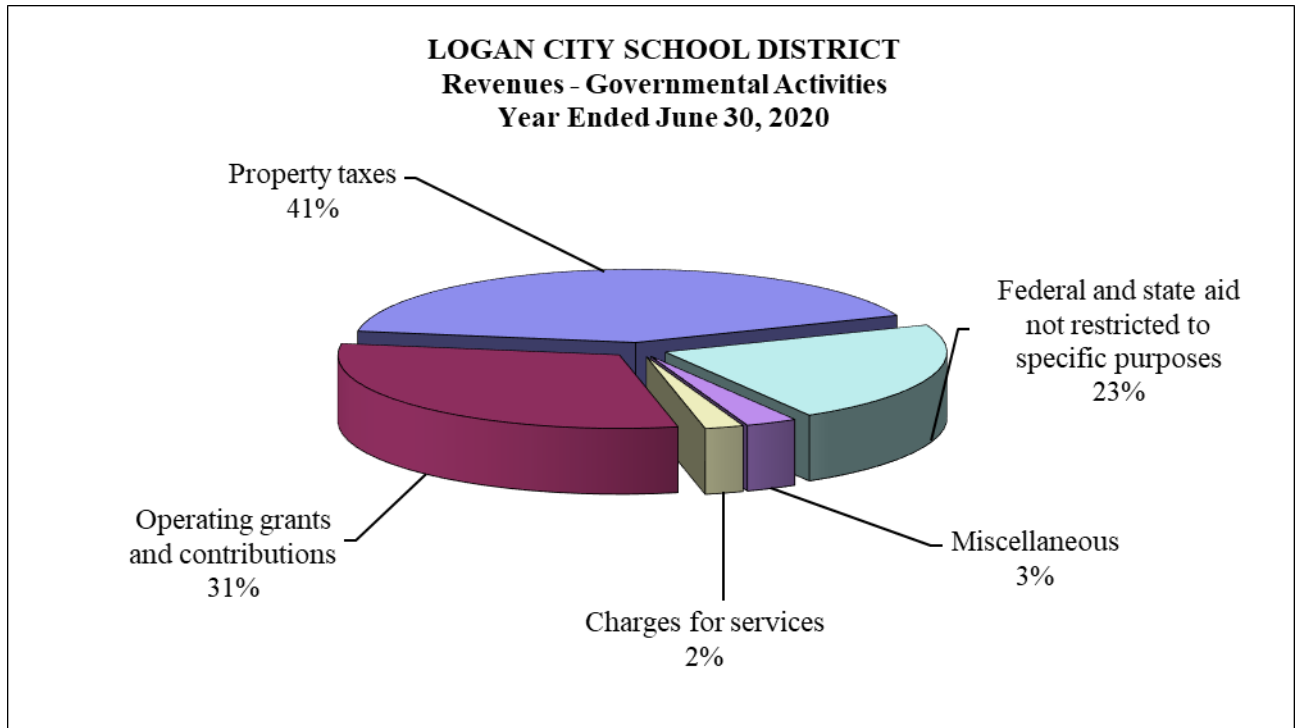
The key elements of the District’s changes in net position for the year ended June 30, 2020 are as follows:

LOGAN CITY SCHOOL DISTRICT'S Changes in Net Position
 Years Ended June 30, 2020 and 2019
 (in millions of dollars)

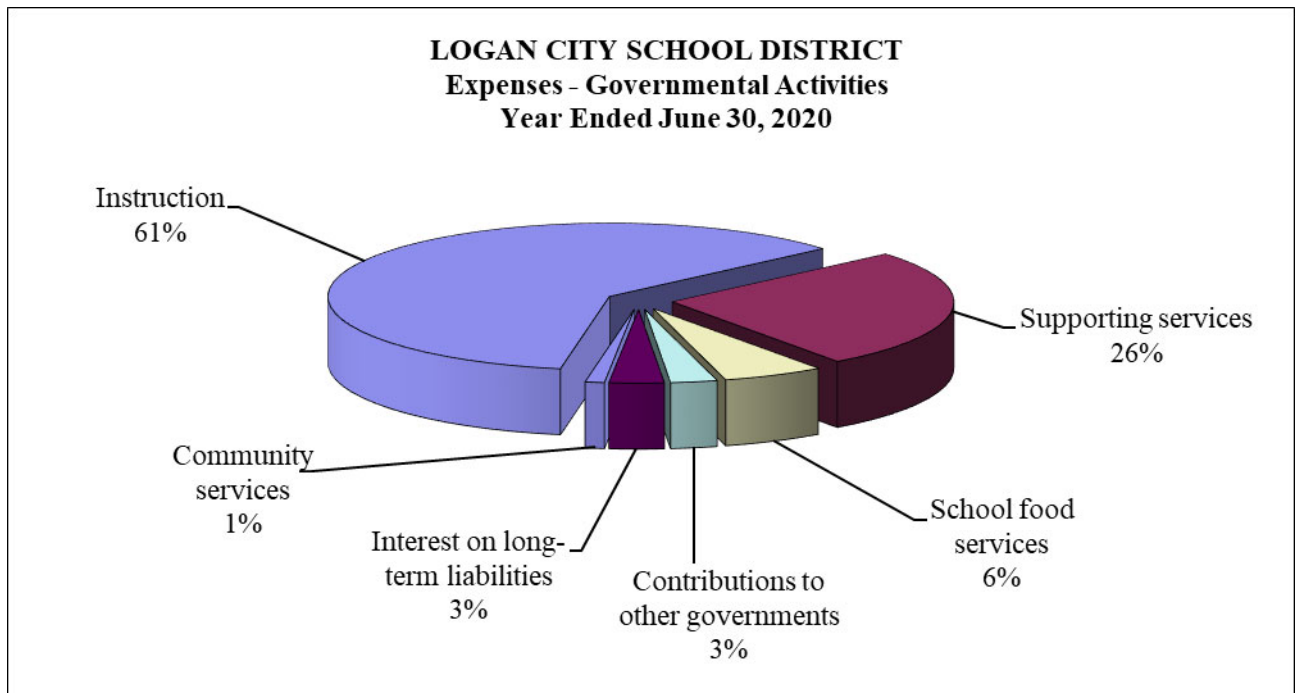
	Governmental activities		Total change 2020-2019
	2020	2019	
Revenues:			
Program revenues:			
Charges for services	\$ 1.5	\$ 1.7	\$ (0.2)
Operating grants and contributions	20.8	20.7	0.1
General revenues:			
Property taxes	28.0	26.7	1.3
Federal and state aid not restricted to specific purposes	15.2	15.1	0.1
Earnings on investments	1.1	1.1	-
Miscellaneous	0.9	0.9	-
Total revenues	67.5	66.2	1.3
Expenses:			
Instruction	38.8	38.0	0.8
Supporting services:			
Students	3.3	3.1	0.2
Instructional staff	2.8	2.4	0.4
General administration	1.0	0.8	0.2
School administration	2.8	2.5	0.3
Central	2.2	2.0	0.2
Operation and maintenance of facilities	3.1	3.0	0.1
Student transportation	1.6	1.6	-
School food services	3.7	3.5	0.2
Community services	0.7	0.4	0.3
Contributions to other governments	1.7	1.1	0.6
Interest on long-term liabilities	2.0	1.6	0.4
Total expenses	63.7	60.0	3.7
Change in net position	3.8	6.2	(2.4)
Net position - beginning, as restated	50.7	48.3	2.4
Effect of prior period restatement	-	(3.8)	3.8
Net position - ending	\$ 54.5	\$ 50.7	\$ 3.8

- The District is dependent on federal and state aid and property taxes. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local property taxes do not provide money equal to the amount generated by the WPU the state will make up the difference with additional state funding. Certain students receive a WPU greater than one. The value of the WPU increased by 4.0 percent during the year ended June 30, 2020 (\$3,532 during 2020 as compared to \$3,395 in 2019).

- Property tax revenue increased by \$1.3 million. This increase is a mainly a result of an increase in the taxable value of property.



- Instruction represents the largest dollar portion of expense of \$38.8 million primarily for teacher salaries and related benefits. This is an increase of \$0.8 million compared to the prior year. Supporting services expenses totaled \$16.8 million compared to \$15.4 million in the prior year. This increase an increase of \$1.4 compared to the prior year. These increases are mostly due to increases in salaries and related benefits.



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related 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 financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$44.7 million. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$47.8 million. Instruction represented 67.0 percent of *general fund* expenditures.
- *General fund* salaries totaled \$28.2 million while the associated employee benefits of retirement, social security, and insurance added \$12.2 million to account for 84.4 percent of total *general fund* expenditures.
- *Capital projects fund* expenditures totaled \$17.5 million which includes construction costs of \$13.2 million for the rebuild of two elementary schools.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories and prepaid expenditures that are not expected to be converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2020, the District's combined governmental fund balance is \$44.7 million (\$0.1 million in nonspendable, \$23.3 million in restricted, \$2.4 million in committed, \$7.6 million in assigned, and \$11.3 million in unassigned).

General Fund Budgetary Highlights

During the year, the Board revised the District's *general fund* budget. Budget amendments were to reflect changes in programs and related funding.

Actual revenues were \$1.2 million less than the final budgeted amount. This variance primarily resulted from anticipated increases in state funding, property taxes, and other local revenues. Actual expenditures were \$2.5 million less than the final budgeted amount. This primarily resulted from a positive variance of \$1.8 million in instruction due to expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Assets and Debt Administration

Capital Assets

The *capital projects fund* is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2020 and 2019 are outlined below:

LOGAN CITY SCHOOL DISTRICT'S Capital Assets

June 30, 2020 and 2019

(net of accumulated depreciation, in millions of dollars)

	Governmental activities		Total change 2020-2019
	2020	2019	
Land	\$ 4.5	\$ 4.5	\$ -
Construction in progress	15.4	2.2	13.2
Buildings and improvements	69.3	72.2	(2.9)
Equipment	1.6	1.1	0.5
Net capital assets	<u>\$ 90.8</u>	<u>\$ 80.0</u>	<u>\$ 10.8</u>

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4.0 percent of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2020 is about \$174.7 million. Net general obligation debt at June 30, 2020 is \$55.7 million, resulting in a legal debt margin of about \$119.0 million.

LOGAN CITY SCHOOL DISTRICT'S Outstanding Debt

June 30, 2020 and 2019

(net of unamortized bond premium, in millions of dollars)

	Governmental activities		Total change 2020-2019
	2020	2019	
General obligation bonds payable	\$ 55.7	\$ 57.7	\$ (2.0)
Lease revenue bonds payable	5.5	6.1	(0.6)
Net outstanding debt	<u>\$ 61.2</u>	<u>\$ 63.8</u>	<u>\$ (2.6)</u>

The District maintains an aggressive schedule to retire all of its general obligation bonds and lease revenue bonds by 2039. Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

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

LOGAN CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Cash and investments	\$ 52,530,926
Receivables:	
Property taxes	25,093,874
Other local	312,540
State of Utah	408,420
Federal government	2,229,815
Inventories	132,594
Capital assets:	
Land and construction in progress	19,916,325
Buildings and equipment, net of accumulated depreciation	<u>70,842,244</u>
Total assets	<u>171,466,738</u>
 Deferred outflows of resources:	
Related to pensions	3,831,967
 Liabilities:	
Accounts payable	3,135,041
Accrued interest	89,561
Accrued salaries and benefits	4,626,051
Unearned revenue:	
State of Utah	3,494,827
Federal government	93,726
Long-term liabilities:	
Due or payable within one year	4,291,828
Due or payable after one year	<u>75,417,501</u>
Total liabilities	<u>91,148,535</u>
 Deferred inflows of resources:	
Property taxes levied for future year	24,343,181
Related to pensions	<u>5,269,616</u>
Total deferred inflows of resources	<u>29,612,797</u>
 Net position:	
Net investment in capital assets	36,739,994
Restricted for:	
Debt service	1,137,980
Capital projects	13,173,943
School food services	1,600,816
Other purposes	267,113
Unrestricted	<u>1,617,527</u>
Total net position	<u>\$ 54,537,373</u>

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2020

Functions/Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 38,807,962	\$ 1,099,360	\$ 12,992,038	\$ (24,716,564)
Supporting services:				
Student	3,286,033	-	1,767,372	(1,518,661)
Instructional staff	2,806,556	-	1,327,506	(1,479,050)
General administration	956,974	-	8,488	(948,486)
School administration	2,817,288	-	60,502	(2,756,786)
Central	2,203,148	-	159,450	(3,043,698)
Operation and maintenance of facilities	3,121,529	-	18,623	(3,102,906)
Student transportation	1,592,995	-	1,181,811	(411,184)
School food services	3,693,955	340,036	3,331,397	(22,522)
Community services	658,772	43,740	-	(615,032)
Contributions to other governments	1,665,627	-	-	(1,665,627)
Interest on long-term liabilities	2,032,833	-	-	(2,032,833)
Total school district	<u>\$ 63,643,672</u>	<u>\$ 1,483,136</u>	<u>\$ 20,847,187</u>	<u>(41,313,349)</u>
General revenues:				
Property taxes levied for:				
Basic				5,226,484
Voted local				6,532,319
Board local				4,531,088
Debt service				3,731,855
Capital				6,277,445
Pass-through taxes				1,665,627
Total property tax revenue				27,964,818
Federal and state aid not restricted to specific purposes				15,242,203
Earnings on investments				1,116,765
Miscellaneous				842,976
Total general revenues				<u>45,166,762</u>
Change in net position				3,853,413
Net position - beginning, as restated				<u>50,683,960</u>
Net position - ending				<u>\$ 54,537,373</u>

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 26,011,134	\$ 1,137,519	\$ 22,451,266	\$ 2,931,007	\$ 52,530,926
Receivables:					
Property taxes	14,545,343	3,252,605	5,580,477	1,715,449	25,093,874
Other local	301,505	-	-	11,035	312,540
State of Utah	294,736	-	-	113,684	408,420
Federal government	2,071,857	-	-	157,958	2,229,815
Inventories	-	-	-	132,594	132,594
Total assets	<u>\$ 43,224,575</u>	<u>\$ 4,390,124</u>	<u>\$ 28,031,743</u>	<u>\$ 5,061,727</u>	<u>\$ 80,708,169</u>
Liabilities:					
Accounts payable	\$ 871,269	\$ -	\$ 2,176,638	\$ 87,134	\$ 3,135,041
Accrued salaries and benefits	4,626,051	-	-	-	4,626,051
Unearned revenue:					
State of Utah	3,494,827	-	-	-	3,494,827
Federal government	93,726	-	-	-	93,726
Total liabilities	<u>9,085,873</u>	<u>-</u>	<u>2,176,638</u>	<u>87,134</u>	<u>11,349,645</u>
Deferred inflows of resources:					
Unavailable property tax revenue	171,731	38,634	66,289	19,073	295,727
Property taxes levied for future year	14,057,807	3,162,583	5,426,415	1,696,376	24,343,181
Total deferred inflows of resources	<u>14,229,538</u>	<u>3,201,217</u>	<u>5,492,704</u>	<u>1,715,449</u>	<u>24,638,908</u>
Fund balances:					
Nonspendable:					
Inventories	-	-	-	132,594	132,594
Restricted for:					
Debt service	-	1,188,907	-	-	1,188,907
Capital projects	-	-	20,362,401	-	20,362,401
School food services	-	-	-	1,468,222	1,468,222
Donated purposes	-	-	-	267,113	267,113
Committed to:					
Economic stabilization	2,350,000	-	-	-	2,350,000
Assigned to:					
Capital improvements	3,461,417	-	-	-	3,461,417
Termination benefits	1,600,000	-	-	-	1,600,000
Programs	1,167,240	-	-	-	1,167,240
Students	-	-	-	1,391,215	1,391,215
Unassigned	11,330,507	-	-	-	11,330,507
Total fund balances	<u>19,909,164</u>	<u>1,188,907</u>	<u>20,362,401</u>	<u>3,259,144</u>	<u>44,719,616</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,224,575</u>	<u>\$ 4,390,124</u>	<u>\$ 28,031,743</u>	<u>\$ 5,061,727</u>	<u>\$ 80,708,169</u>

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds \$ 44,719,616

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 4,526,646	
Construction in progress	15,389,679	
Building and improvements, net of \$52,221,394 accumulated depreciation	69,419,746	
Equipment, net of \$3,344,101 accumulated depreciation	1,422,498	90,758,569

Some of the District's property taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and are therefore reported as deferred inflows of resources in the funds.

Unavailable property tax revenue 295,727

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$83,650 and accrued interest for lease revenue bonds is \$5,911. (89,561)

Long-term liabilities that pertain to governmental funds, including general obligation bonds payable and lease revenue bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

General obligation bonds payable	(52,000,000)	
Bond premium, net of \$1,186,648 accumulated amortization	(3,732,607)	
Lease revenue bonds payable	(5,495,000)	
Early retirement obligation	(1,668,644)	
Compensated absences	(1,575,497)	
Capital lease obligation	(45,715)	
Net pension liability	(15,191,866)	
Deferred outflows of resources related to pensions	3,831,967	
Deferred inflows of resources related to pensions	(5,269,616)	(81,146,978)

Total net position of governmental activities \$ 54,537,373

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Local:					
Property taxes	\$ 16,315,197	\$ 3,722,879	\$ 6,262,348	\$ 1,665,627	\$ 27,966,051
Earnings on investments	452,683	31,937	540,684	91,461	1,116,765
Lunch sales	-	-	-	340,036	340,036
Other local	570,301	-	-	1,415,775	1,986,076
State of Utah	27,349,613	-	-	681,231	28,030,844
Federal government	5,408,380	-	-	2,650,166	8,058,546
Total revenues	50,096,174	3,754,816	6,803,032	6,844,296	67,498,318
Expenditures:					
Current:					
Instruction	32,048,720	-	-	1,123,859	33,172,579
Supporting services:					
Student	2,975,286	-	-	-	2,975,286
Instructional staff	2,588,457	-	-	-	2,588,457
General administration	608,439	-	-	-	608,439
School administration	2,545,073	-	-	-	2,545,073
Central	2,011,233	-	-	-	2,011,233
Operation and maintenance of facilities	2,970,224	-	-	-	2,970,224
Student transportation	1,592,995	-	-	-	1,592,995
Community services	444,394	-	-	177,101	621,495
School food services	1,257	-	-	3,387,720	3,388,977
Contributions to other governments	-	-	-	1,665,627	1,665,627
Capital outlay	-	-	16,683,279	-	16,683,279
Debt service:					
Bond principal	-	1,720,000	635,000	-	2,355,000
Bond interest and fiscal charges	-	2,126,059	156,821	-	2,282,880
Capital lease principal	35,502	-	20,971	-	56,473
Capital lease interest	1,058	-	3,923	-	4,981
Total expenditures	47,822,638	3,846,059	17,499,994	6,354,307	75,522,998
Excess (deficiency) of revenues over (under) expenditures	2,273,536	(91,243)	(10,696,962)	489,989	(8,024,680)
Other financing sources (uses):					
Transfer in (out)	(74,637)	-	-	74,637	-
Net change in fund balances	2,198,899	(91,243)	(10,696,962)	564,626	(8,024,680)
Fund balances - beginning, as restated	17,710,265	1,280,150	31,059,363	2,694,518	52,744,296
Fund balances - ending	\$ 19,909,164	\$ 1,188,907	\$ 20,362,401	\$ 3,259,144	\$ 44,719,616

The accompanying notes are an integral part of this financial statement.

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, 2020

Net change in fund balances-total governmental funds \$ (8,024,680)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for buildings are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays (facilities acquisition, construction, and equipment)	\$ 14,518,070	
Loss on disposal of capital assets	(3,148)	
Depreciation expense	<u>(3,727,744)</u>	10,787,178

The governmental funds report the issuance of bonds as other financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	2,355,000	
Repayment of capital leases	56,473	
Interest expense	4,084	
Amortization of bond premium	<u>245,963</u>	2,661,520

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. Deferred inflows of resources increased this year. (1,233)

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Early retirement	(56,792)	
Compensated absences	(262,606)	
Pension expense	<u>(1,249,974)</u>	<u>(1,569,372)</u>

Change in net position of governmental activities \$ 3,853,413

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local:				
Property taxes	\$ 15,353,390	\$ 16,342,079	\$ 16,315,197	\$ (26,882)
Earnings on investments	918,018	707,300	452,683	(254,617)
Other local	1,013,382	1,149,332	570,301	(579,031)
State of Utah	28,328,446	27,094,837	27,349,613	254,776
Federal government	5,699,557	5,999,557	5,408,380	(591,177)
Total revenues	<u>51,312,793</u>	<u>51,293,105</u>	<u>50,096,174</u>	<u>(1,196,931)</u>
Expenditures:				
Current:				
Instruction	35,064,482	33,883,380	32,048,720	1,834,660
Supporting services:				
Student	3,070,656	3,035,603	2,975,286	60,317
Instructional staff	2,409,899	2,844,025	2,588,457	255,568
General administration	752,982	594,732	608,439	(13,707)
School administration	2,535,165	2,281,118	2,545,073	(263,955)
Central	2,198,981	2,526,769	2,011,233	515,536
Operation and maintenance of facilities	3,192,668	3,123,461	2,970,224	153,237
Student transportation	1,578,103	1,578,103	1,592,995	(14,892)
Community services	439,399	472,758	444,394	28,364
School food services	-	-	1,257	(1,257)
Debt service:				
Capital lease principal	-	-	35,502	(35,502)
Capital lease interest	-	-	1,058	(1,058)
Total expenditures	<u>51,242,335</u>	<u>50,339,949</u>	<u>47,822,638</u>	<u>2,517,311</u>
Excess of revenues over expenditures	70,458	953,156	2,273,536	1,320,380
Other financing sources (uses):				
Transfers in (out)	<u>(66,314)</u>	<u>(66,314)</u>	<u>(74,637)</u>	<u>8,323</u>
Net change in fund balances	4,144	886,842	2,198,899	1,328,703
Fund balances - beginning, as restated	<u>17,710,265</u>	<u>17,710,265</u>	<u>17,710,265</u>	<u>-</u>
Fund balances - ending	<u>\$ 17,714,409</u>	<u>\$ 18,597,107</u>	<u>\$ 19,909,164</u>	<u>\$ 1,328,703</u>

The accompanying notes are an integral part of this financial statement.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Logan City School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The Board establishes District policies, approves the budget, levies taxes, issues bonds, and appoints a superintendent with administrative responsibilities encompassing all District educational activities and a business administrator who oversees fiscal activities.

As required by GAAP, these financial statements present the District and its component units, the Municipal Building Authority of Logan City School District (the Building Authority) and the Logan Schools Foundation (the Foundation), for which the District is considered to be financially accountable.

- The Building Authority is reported as a blended component unit within the governmental funds of the District. The Building Authority has the same board as the District and provides services exclusively to the District. Financial information for the Building Authority may be obtained at the District's administrative office.
- The Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. Even though the Foundation is legally separate, it is reported as if it were part of the District because the Foundation secures donations that exclusively benefit the District by providing additional funding for purposes within the District. The District makes all personnel decisions for the Foundation. The Foundation is presented as a special revenue fund of the District and does not issue separate financial statements.

Government-wide and Fund Financial Statements

The *government-wide financial statements* (the statement of net position and the statement of activities) display information about the government (the District). These statements include the financial activities of the overall District. The effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school food services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds (other governmental funds).

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and early retirement benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt is reported as other financing sources.

Under the terms of grant agreements, the District finances certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Budgetary Data

The District operates within the budget requirements for school districts as specified by state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance commitment. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified property tax rate, a public hearing is held prior to June 30 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when additional data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2020, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. Investments of the District are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Inventories

Inventories are valued at cost or, if donated, at fair value when received, stated at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when used. Donated food commodities are recorded as revenue when received. Inventories reported in the governmental funds are equally offset by a nonspendable portion of fund balance, indicating they are not expected to be converted to cash.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include land, construction in progress, buildings, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or significantly extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Equipment	5 - 15

Unearned Revenue

Unearned revenue for the District represents amounts received on grants whose purpose restrictions have not yet been met. Revenue is recognized on restricted grants only when all restrictions on those funds are satisfied.

Pensions

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

Compensated Absences

Under terms of association agreements, eligible employees earn vacation or personal days 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.

Leave eligible employees who work from 5.75 hours to 8 hours per day, earn vacation or personal days ranging from 4 to 14 days per year depending upon length of service. Classified employees who retire or leave the district are not paid for unused vacation. Administrators and licensed personnel have the option of converting personal days in excess of 3 to 5 days to either their 401(k) account or receive a payout amount equal to the cost of a certified substitute for unused days.

Classified employees who earn vacation are allowed to carryover 3 days per year with a maximum ranging from 10 to 17 days. Administrators and licensed personnel with less than 15 years of experience carry over 3 personal days with a maximum ranging from 7 to 12 days. Administrators and licensed personnel with 15 or more years of experience accumulate an unlimited number of personal days. Employees who are retiring or leaving the district receive a sick leave payout for unused time.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Administrators and licensed personnel receive a payout based on years of service at a rate of .0021 times the third increment of the current salary schedule for up to a maximum of 150 days. Classified employees are paid 25 percent of unused sick leave at their final contract hourly wage with a maximum of 120 days.

Early Retirement

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 for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. For the early retirement program, a liability and expense are recorded in the government-wide financial statements at the time the employee elects to retire early; expenditures are recorded in the governmental funds as the District pays the benefit.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred Outflows of Resources

In addition to assets, financial statements 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the financial statements 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide and proprietary fund financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

Nonspendable – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories and prepaid expenditures are classified as nonspendable.

Restricted – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include unspent tax revenue for specific purposes (capital projects and debt service) and amounts in other governmental funds (school food services and Foundation).

Committed – This category includes amounts that can only be used for specific purposes established by formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Board of Education has approved to commit fund balance amounts for the following purposes:

- As defined in Utah law as an “undistributed reserve,” the District maintains for economic stabilization up to five percent of *general fund* budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees.”

Assigned – This category includes amounts to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the business administrator to assign fund balances. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District has assigned *general fund* resources that are to be used for capital improvements, compensated absences and early retirement programs, and unrestricted school programs. Also, residual balances in other governmental funds are classified as assigned fund balance.

Unassigned – Residual balances in the *general fund* are classified as unassigned.

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Net Position/Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

Net position – It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position.

Fund balance – It is the District’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2020, as shown on the financial statements, is as follows:

Carrying amount of deposits	\$ 4,328,477
Carrying amount of investments	<u>48,202,449</u>
Total cash and investments	<u><u>\$ 52,530,926</u></u>

The District follows the requirements of the State Money Management Act (Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, first-tier commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules and actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow the Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

Deposits

At June 30, 2020, the District and the Foundation have the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Logan City School District	\$ 4,197,138	\$ 4,315,594	\$ 722,081
Logan Schools Foundation	<u>131,339</u>	<u>135,494</u>	<u>135,494</u>
Total deposits	<u><u>\$ 4,328,477</u></u>	<u><u>\$ 4,451,088</u></u>	<u><u>\$ 857,575</u></u>

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2020, the uninsured amount of the District’s and Foundation’s bank deposits was uncollateralized nor is it required by state law.

Investments

The District’s investments are with the PTIF. The Foundation has investments separate from the District and invests private funds through brokers.

The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state’s name by the state’s custodial banks, including investment-grade corporate bonds and notes, money market mutual funds, first-tier commercial paper, and certificates of deposit. The portfolio has a weighted average maturity of less than 90 days. The majority of the PTIF’s corporate bonds and notes are variable-rate securities, which reset every three months to the prevailing market interest rates. The PTIF is not rated. The PTIF has no debt securities with more than 5% of its total investments in a single issuer. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2020, the District and the Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Logan City School District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 47,385,516	\$ 47,385,516	\$ -	\$ -	\$ -
Logan Schools Foundation, a component unit:					
Utah Public Treasurers' Investment Fund (PTIF)	109,027	109,027	-	-	-
Certificates of deposit	230,948	230,948	-	-	-
Mutual funds	279,443	279,443	-	-	-
Municipal bonds	197,515	-	123,780	73,735	-
Total Logan Schools Foundation	816,933	619,418	123,780	73,735	-
Total investments	\$ 48,202,449	\$ 48,004,934	\$ 123,780	\$ 73,735	\$ -

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 manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers’ acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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 its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody’s Investors Service, Inc. or by Standard and Poor’s Corporation at the time of purchase.

At June 30, 2020, the Foundation has \$197,515 invested in municipal bonds rated AA and A3 or higher by Standard & Poor’s and Moody’s Investors Service, Inc., respectively. In addition, the Foundation has \$279,443 invested in unrated mutual funds.

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 managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and corporate obligations to 5.0 percent of the District’s total portfolio with a single issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s policy for managing this risk is to comply with the Act and related rules.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District categorizes its 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 Foundation have the following recurring fair value measurements as of June 30, 2020:

- Utah Public Treasurers’ Investment Fund position of \$47,494,543, is valued at the District’s and Foundation’s position multiplied by the published fair value factor (Level 2 inputs).
- Certificates of deposit of \$230,948 are valued at the original amount deposited at the financial institution plus interest earned on the certificate through the end of the fiscal year (Level 2 inputs).
- Mutual funds of \$279,443 are valued at the daily closing price as reported by the fund (Level 1 inputs).
- Municipal bonds of \$197,515 are valued using a matrix pricing model (Level 2 inputs).

LOGAN CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

NOTE 4 – PROPERTY TAXES

District Property Taxes

The property tax revenue of the District is collected and distributed by the Cache County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. An annual uniform fee based on the value of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5 percent of the fair market statewide value of the property, as established by the State Tax Commission. Legislation requires motor vehicles be subject to an “age-based” fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2020, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2019 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

Pass-Through Taxes

In addition to property taxes the District levies for its own purposes, the District levies property taxes for redevelopment agencies (located within the boundaries of the District) in accordance with the Community Development and Renewal Agencies Act (*Utah Code 17C-1*) and charter schools (based on students who live within the District’s boundaries and are enrolled in charter schools). These taxes are forwarded directly by the County to the redevelopment agencies and to the state charter school levy account as these taxes are collected by the County.

Property tax revenue (or incremental taxes) from increased assessed values within project areas are earmarked to finance urban renewal, economic development, and community development projects managed by the redevelopment agencies for the duration of the projects.

During the year ended June 30, 2020, incremental taxes levied by the District for redevelopment agencies and charter schools totaled \$1,120,072 and \$545,552, respectively. These were recorded as revenue with an equivalent amount of expenditure in the other governmental funds (in the *pass-through taxes fund*).

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,526,646	\$ -	\$ -	\$ 4,526,646
Construction in progress	2,200,736	13,188,943	-	15,389,679
Total capital assets not being depreciated	6,727,382	13,188,943	-	19,916,325
Capital assets being depreciated:				
Buildings and improvements	120,922,286	718,854	-	121,641,140
Equipment	4,299,993	610,273	(143,667)	4,766,599
Total capital assets being depreciated	125,222,279	1,329,127	(143,667)	126,407,739
Accumulated depreciation for:				
Buildings and improvements	(48,798,282)	(3,423,112)	-	(52,221,394)
Equipment	(3,179,988)	(304,632)	140,519	(3,344,101)
Total accumulated depreciation	(51,978,270)	(3,727,744)	140,519	(55,565,495)
Total capital assets being depreciated, net	73,244,009	(2,398,617)	(3,148)	70,842,244
Governmental activity capital assets, net	<u>\$ 79,971,391</u>	<u>\$ 10,790,326</u>	<u>\$ (3,148)</u>	<u>\$ 90,758,569</u>

For the year ended June 30, 2020, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 2,534,866
Supporting services:	
Student	223,665
Instructional staff	149,110
General administration	74,555
School administration	186,387
Central	149,110
Operation and maintenance of facilities	111,832
Community services	37,277
School food services	260,942
Total depreciation expense	<u>\$ 3,727,744</u>

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

The District is obligated at June 30, 2020 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Hillcrest Elementary	\$ 18,166,774	\$ 14,413,719	\$ 3,753,055
Ellis Elementary	16,688,851	975,960	15,712,891
Total	<u>\$ 34,855,625</u>	<u>\$ 15,389,679</u>	<u>\$ 19,465,946</u>

Construction commitments will be paid by the *capital projects fund*.

NOTE 6 – STATE RETIREMENT PLANS

Description of Plans

Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- *Public Employees Noncontributory Retirement System* (Tier 1 Noncontributory System)
- *Public Employees Contributory Retirement System* (Tier 1 Contributory System)
- *Tier 2 Hybrid Public Employees Contributory Retirement System* (Tier 2 Contributory System)

Defined Contribution Plans (individual account plans):

- *401(k) Plan* (includes the Tier 2 Defined Contribution Plan)
- *457 Plan* and other individual plans

District employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by the District as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

The Tier 2 systems 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 systems, are members of the Tier 2 systems.

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Benefits Provided

The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans.

Retirement benefits in the defined benefit pension plans are determined from 1.50% to 2.00% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan’s administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions

As a condition of participation in the plans, 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.

For the year ended June 30, 2020, required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates				Totals
	District Contribution *	Amortization of UAAL **	Paid by District for Employee	District Rates for 401(k) Plan	
Tier 1 Noncontributory System	12.25%	9.94%	-	1.50%	23.69%
Tier 1 Contributory System	5.45%	12.25%	6.00%	-	23.70%
Tier 2 Contributory System	9.05%	9.94%	-	1.03%	20.02%
Tier 2 Defined Contribution Plan	0.08%	9.94%	-	10.00%	20.02%

* District contribution includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

** Required contributions include an additional amount to finance any unfunded actuarial accrued liability in the Tier 1 plans.

Employees can make additional contributions to defined contribution plans subject to limitations.

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

For the year ended June 30, 2020, District and employee contributions to the plans were as follows:

	<u>District Contributions *</u>	<u>Employee Contributions</u>
Tier 1 Noncontributory System	\$ 3,504,504	\$ -
Tier 1 Contributory System	4,182	-
Tier 2 Contributory System	1,487,645	-
Tier 2 Defined Contribution Plan	169,306	-
401(k) Plan	491,835	388,110
457 Plan and other individual plans	-	71,974

* A portion of required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability in the Tier 1 plans.

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

At June 30, 2020, the District reported an asset of zero and a liability of \$15,191,866 for its proportionate share of the net pension liability (asset) for the following plans:

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	\$ -	\$ 15,013,623
Tier 1 Contributory System	-	64,602
Tier 2 Contributory System	-	113,641
Total	<u>\$ -</u>	<u>\$ 15,191,866</u>

The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2019, rolled-forward using generally accepted actuarial procedures. Our proportion of the net pension liability (asset) is equal to the ratio of our actual contributions compared to the total of all employer contributions during the plan year. The following presents our proportion (percentage) of the collective net pension liability (asset) at December 31, 2019 and the change in its proportion since the prior measurement date for each plan:

	<u>Proportionate Share</u>	
	<u>2019</u>	<u>Change</u>
Tier 1 Noncontributory System	0.6757713%	0.0579201 %
Tier 1 Contributory System	0.9357411%	0.1592856 %
Tier 2 Contributory System	0.5052782%	0.0652174 %

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

For the year ended June 30, 2020, the District recognized pension expense for the plans as follows:

	<u>Pension Expense</u>
Defined benefit pension plans:	
Tier 1 Noncontributory System	\$ 5,773,838
Tier 1 Contributory System	(29,068)
Tier 2 Contributory System	<u>639,169</u>
Total	<u>\$ 6,383,939</u>
Defined contribution plans:	
Tier 2 Defined Contribution Plan	\$ 169,306
401(k) Plan	<u>491,835</u>
Total	<u>\$ 661,141</u>

At June 30, 2020, the District reported deferred outflows of resources related to defined benefit pension plans from the following sources:

	<u>Deferred Outflows of Resources Related to Pensions</u>			
	<u>Tier 1 Noncontributory System</u>	<u>Tier 1 Contributory System</u>	<u>Tier 2 Contributory System</u>	<u>Total</u>
	Differences between expected and actual experience	\$ 233,407	\$ -	\$ 31,791
Changes of assumptions	870,282	-	48,524	918,806
Changes in proportion and differences between District contributions and proportionate share of contributions	115,343	-	88,220	203,563
Contributions subsequent to the measurement date	<u>1,651,573</u>	<u>-</u>	<u>792,827</u>	<u>2,444,400</u>
Total	<u>\$ 2,870,605</u>	<u>\$ -</u>	<u>\$ 961,362</u>	<u>\$ 3,831,967</u>

At June 30, 2020, the District reported deferred inflows of resources related to defined benefit pension plans from the following sources:

	<u>Deferred Inflows of Resources Related to Pensions</u>			
	<u>Tier 1 Noncontributory System</u>	<u>Tier 1 Contributory System</u>	<u>Tier 2 Contributory System</u>	<u>Total</u>
	Differences between expected and actual experience	\$ 92,104	\$ -	\$ 39,001
Changes of assumptions	-	-	3,266	3,266
Net difference between projected and actual earnings on pension plan investments	4,648,135	257,381	87,355	4,992,871
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>142,374</u>	<u>-</u>	<u>-</u>	<u>142,374</u>
Total	<u>\$ 4,882,613</u>	<u>\$ 257,381</u>	<u>\$ 129,622</u>	<u>\$ 5,269,616</u>

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

The \$2,444,400 reported as deferred outflows of resources related to pensions resulting from our contributions subsequent to the measurement date of December 31, 2019 will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending December 31,	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Contributory System	Total
2021	\$ (803,262)	\$ (85,892)	\$ (11,843)	\$ (900,997)
2022	(1,187,452)	(72,613)	(10,143)	(1,270,208)
2023	105,242	(11,312)	4,782	98,712
2024	(1,778,109)	(87,564)	(23,216)	(1,888,889)
2025	-	-	11,734	11,734
Thereafter	-	-	67,599	67,599

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2016. Assumptions remained unchanged that affect measurement of the total pension liability (asset) since the prior measurement date.

The long-term expected rate of return on defined benefit 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity securities	40%	6.15%
Debt securities	20%	0.40%
Real assets	15%	5.75%
Private equity	9%	9.95%
Absolute return	16%	2.85%
Cash and cash equivalents	0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) 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, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' 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 (asset).

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net pension liability (asset) 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:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 33,868,990	\$ 15,013,623	\$ (791,942)
Tier 1 Contributory System	629,224	64,602	(419,453)
Tier 2 Contributory System	979,975	113,641	(555,876)
Total	\$ 35,478,189	\$ 15,191,866	\$ (1,767,271)

Pension Plan Fiduciary Net Position

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

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Payables to the Pension Plans

At June 30, 2020, the District reported payables of \$1,168,250 for contributions to defined benefit pension plans and defined contribution plans.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 53,720,000	\$ -	\$ (1,720,000)	\$ 52,000,000	\$ 1,805,000
Bond issuance premiums	3,978,570	-	(245,963)	3,732,607	-
Net general obligation bonds	57,698,570	-	(1,965,963)	55,732,607	1,805,000
Lease revenue bonds	6,130,000	-	(635,000)	5,495,000	648,000
Early retirement	1,611,852	738,870	(682,078)	1,668,644	635,000
Compensated absences	1,312,891	549,861	(287,255)	1,575,497	1,181,623
Capital leases	102,188	-	(56,473)	45,715	22,205
Net pension liability	23,727,015	15,600,707	(24,135,856)	15,191,866	-
Total governmental activity long-term liabilities	<u>\$ 90,582,516</u>	<u>\$ 16,889,438</u>	<u>\$ (27,762,625)</u>	<u>\$ 79,709,329</u>	<u>\$ 4,291,828</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 procurement 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 levied for debt service.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2020, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,805,000	\$ 2,035,481	\$ 3,840,481
2022	1,895,000	1,945,231	3,840,231
2023	1,990,000	1,850,481	3,840,481
2024	2,090,000	1,750,981	3,840,981
2025	2,195,000	1,646,481	3,841,481
2026-2030	12,605,000	6,600,556	19,205,556
2031-2035	15,270,000	3,932,756	19,202,756
2036-2039	14,150,000	1,213,050	15,363,050
Total	<u>\$ 52,000,000</u>	<u>\$ 20,975,017</u>	<u>\$ 72,975,017</u>

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

General obligation school building bonds payable at June 30, 2020 with their outstanding balances are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Outstanding Amount</u>
\$35,500,000 general obligation bonds, issued December 18, 2014, maturing June 15, 2035	3.00 to 5.00%	\$ 32,730,000
\$19,500,000 general obligation bonds, issued March 6, 2019, maturing June 15, 2039	3.25 to 5.00%	<u>19,270,000</u>
Total outstanding general obligation bonds payable at June 30, 2020		<u><u>\$ 52,000,000</u></u>

The general obligation bonded debt of the District is limited by state law to 4.0 percent of the fair market value of the total taxable property in Cache County. The legal debt limit at June 30, 2020 is about \$174.7 million with net general obligation debt outstanding of \$55.7 million, resulting in a legal debt margin of about \$119.0 million.

Lease Revenue Bonds

The Municipal Building Authority of Logan City School District issues lease revenue bonds to finance improvements to schools. Lease revenue bonds payable at June 30, 2020 with their outstanding balances are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Outstanding Amount</u>
\$6,906,000 lease revenue bonds, series 2008, maturing April 1, 2024	2.59%	\$ 1,480,000
\$4,826,000 lease revenue bonds, series 2017, maturing April 1, 2033	1.45% to 3.80%	<u>4,015,000</u>
Total outstanding lease revenue bonds payable at June 30, 2020		<u><u>\$ 5,495,000</u></u>

The annual requirements to amortize the lease revenue bonds outstanding as of June 30, 2020, including interest payments, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 648,000	\$ 143,832	\$ 791,832
2022	662,000	130,149	792,149
2023	676,000	115,736	791,736
2024	607,000	100,579	707,579
2025	290,000	86,825	376,825
2026-2030	1,558,000	328,358	1,886,358
2031-2033	<u>1,054,000</u>	<u>78,294</u>	<u>1,132,294</u>
Total	<u><u>\$ 5,495,000</u></u>	<u><u>\$ 983,773</u></u>	<u><u>\$ 6,478,773</u></u>

The District budgets and services the lease revenue bonds obligation from the *capital projects fund*.

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

Capital Leases

The District has entered into two capital leases to purchase equipment. The total amount of leased assets included in capital assets at June 30, 2020 was \$45,409 (net of accumulated depreciation of \$205,454).

Future minimum lease obligations relating to the equipment leases in the capital projects fund are as follows:

Year Ending June 30,	Lease Payments
2021	\$ 24,890
2022	24,890
Total minimum lease payments	49,780
Amount representing interest	(4,065)
Present value of minimum lease payments	<u>\$ 45,715</u>

Early Retirement

The District provides an early retirement incentive program. Eligibility is restricted to those employees with a minimum of 20 years prior service within the District, and who meet the eligibility requirements for and will be receiving URS benefits. Eligible retirees receive amounts based on age and classification. These amounts are paid out over a period of up to four consecutive years. In addition to early retirement compensation, the District provides medical insurance coverage to qualified early retirees up to four years or age 65, whichever comes sooner. The District’s payments for these benefits totaled \$682,078 for the year ended June 30, 2020. Future retirement payments for employees who have elected early retirement are recognized on an accrual basis as an expense in the government-wide statements in the year of retirement. This liability is paid from the fund from which the employee retires.

NOTE 8 – LITIGATION AND LEGAL COMPLIANCE

At certain time, claims and lawsuits are pending in which the District is involved. The District’s counsel and insurance carriers estimate that the District’s potential obligation resulting from such claims or litigation would not materially affect the financial statements of the District.

All fund balances are positive at June 30, 2020. Fund expenditures are within budgeted amounts during the year ended June 30, 2020, except expenditures in the *pass-through taxes fund* which exceeded budgeted appropriations by \$545,552.

NOTE 9 – GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District’s independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

LOGAN CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

NOTE 10 – TRANSFERS

The District transferred \$74,637 from the *general fund* to other governmental funds to help support student programs.

NOTE 11 – RESTATEMENT

Certain beginning net position and fund balance amounts have been restated to reflect the correction of certain accounts and activities in accordance with generally accepted accounting principles as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>
Net position / fund balance at June 30, 2019, as originally stated	\$ 54,471,749	\$ 21,014,110	\$ 1,771,926
Restatements and reclassifications:			
Recognition of restricted source revenue when earned	(3,303,845)	(3,303,845)	-
Classification of the Foundation as a blended component unit	922,592	-	922,592
Recognition of accrued interest	(93,645)	-	-
Recognition of compensated absences	(1,312,891)	-	-
Net position / fund balance at June 30, 2019, as restated	<u>\$ 50,683,960</u>	<u>\$ 17,710,265</u>	<u>\$ 2,694,518</u>

LOGAN CITY SCHOOL DISTRICT

**Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) –
Utah Retirement Systems**

Last Six Plan (Calendar) Years

	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Tier 1 Noncontributory System:					
2019	0.6757713 %	\$ 15,013,623	\$ 15,956,785	94.09 %	90.1 %
2018	0.6178510 %	22,987,260	16,005,859	143.62 %	84.1 %
2017	0.6164252 %	15,073,829	15,735,779	95.79 %	89.2 %
2016	0.6327430 %	20,506,675	16,419,635	124.89 %	84.9 %
2015	0.6434373 %	20,212,208	16,793,652	120.36 %	84.5 %
2014	0.6210111 %	15,603,084	16,698,625	93.44 %	87.2 %
Tier 1 Contributory System:					
2019	0.9357411 %	\$ 64,602	\$ 104,395	61.88 %	98.9 %
2018	0.7645550 %	551,286	150,689	365.84 %	91.4 %
2017	0.5976242 %	39,326	135,976	28.92 %	99.2 %
2016	0.4921531 %	269,679	131,930	204.41 %	93.4 %
2015	0.4020582 %	251,951	127,363	197.82 %	92.4 %
2014	0.3437181 %	37,688	126,077	29.89 %	98.7 %
Tier 2 Contributory System:					
2019	0.5052782 %	\$ 113,641	\$ 7,030,985	1.62 %	96.5 %
2018	0.4400608 %	188,469	5,163,642	3.65 %	90.8 %
2017	0.4774572 %	42,096	4,694,880	0.90 %	97.4 %
2016	0.5090727 %	56,787	4,174,819	1.36 %	95.1 %
2015	0.5330405 %	(1,164)	3,442,116	(0.03)%	100.2 %
2014	0.5209576 %	(15,787)	2,549,232	(0.62)%	103.5 %

LOGAN CITY SCHOOL DISTRICT
Schedules of District Contributions – Utah Retirement Systems
Last Seven Reporting (Fiscal) Years

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Tier 1 Noncontributory System:					
2020	\$ 3,504,504	\$ 3,504,504	\$ -	\$ 15,831,119	22.14 %
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 %
Tier 1 Contributory System:					
2020	\$ 4,182	\$ 4,182	\$ -	\$ 23,628	17.70 %
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 %
2015	27,308	27,308	-	161,074	16.95 %
2014	19,479	19,479	-	124,113	15.69 %
Tier 2 Contributory System:					
2020	\$ 1,487,645	\$ 1,487,645	\$ -	\$ 7,890,282	18.85 %
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 %
Tier 2 Defined Contribution Plan:					
2020	\$ 169,306	\$ 169,306	\$ -	\$ 1,657,592	10.21 %
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 %

LOGAN CITY SCHOOL DISTRICT
Notes to Required Supplementary Information

NOTE A – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

Amounts reported in plan years 2019 and 2018 remain unchanged from the 2017 year.

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017 valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- Both the payroll growth and wage inflation assumptions were decreased by 0.15%.

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- Other assumptions that were modified: rate of salary increases, post retirement mortality, and certain demographics,

NOTE B – SCHEDULES OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

NOTE C – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2014 and subsequent reporting periods of the plans; prior-year information is not available.

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. A portion of the required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability of the Tier 1 plans.

LOGAN CITY SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund**

Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			2019
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 16,342,079	\$ 16,315,197	\$ (26,882)	\$ 15,753,133
Earnings on investments	707,300	452,683	(254,617)	604,703
Other local revenues	1,149,332	570,301	(579,031)	774,739
State of Utah	27,094,837	27,349,613	254,776	27,031,378
Federal government	5,999,557	5,408,380	(591,177)	6,016,940
Total revenues	<u>51,293,105</u>	<u>50,096,174</u>	<u>(1,196,931)</u>	<u>50,180,893</u>
Expenditures:				
Current:				
Salaries	28,177,147	28,203,661	(26,514)	26,188,704
Employee benefits	13,250,919	12,168,454	1,082,465	11,828,016
Purchased professional services	1,846,446	1,778,536	67,910	2,169,000
Purchased property services	912,655	406,095	506,560	434,188
Other purchased services	2,381,202	2,287,566	93,636	2,401,005
Supplies	2,766,097	2,321,592	444,505	2,794,978
Property	797,947	318,935	479,012	585,366
Other objects	207,536	301,239	(93,703)	5,549
Debt service:				
Capital lease principal	-	35,502	(35,502)	-
Capital lease interest	-	1,058	(1,058)	-
Total expenditures	<u>50,339,949</u>	<u>47,822,638</u>	<u>2,517,311</u>	<u>46,406,806</u>
Excess of revenues over expenditures	953,156	2,273,536	1,320,380	3,774,087
Other financing sources (uses):				
Transfers in (out)	<u>(66,314)</u>	<u>(74,637)</u>	<u>(8,323)</u>	<u>(111,236)</u>
Net change in fund balances	886,842	2,198,899	1,312,057	3,662,851
Fund balances - beginning, as restated	<u>17,710,265</u>	<u>17,710,265</u>	<u>-</u>	<u>17,351,259</u>
Fund balances - ending	<u>\$ 18,597,107</u>	<u>\$ 19,909,164</u>	<u>\$ 1,312,057</u>	<u>\$ 21,014,110</u>

LOGAN CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Debt Service Fund

Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			2019
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 3,580,056	\$ 3,722,879	\$ 142,823	\$ 3,802,331
Earnings on investments	15,000	31,937	16,937	329
Total revenues	<u>3,595,056</u>	<u>3,754,816</u>	<u>159,760</u>	<u>3,802,660</u>
Expenditures:				
Debt service:				
Bond principal	1,490,000	1,720,000	(230,000)	2,345,000
Bond interest and fiscal charges	2,366,482	2,126,059	240,423	1,641,684
Total expenditures	<u>3,856,482</u>	<u>3,846,059</u>	<u>10,423</u>	<u>3,986,684</u>
Deficiency of revenues under expenditures / net change in fund balances	(261,426)	(91,243)	(3,435)	(184,024)
Fund balances - beginning	<u>1,280,150</u>	<u>1,280,150</u>	<u>-</u>	<u>1,464,174</u>
Fund balances - ending	<u>\$ 1,018,724</u>	<u>\$ 1,188,907</u>	<u>\$ (3,435)</u>	<u>\$ 1,280,150</u>

LOGAN CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			2019
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 6,471,954	\$ 6,262,348	\$ (209,606)	\$ 6,244,273
Earnings on investments	250,000	540,684	290,684	502,469
Total revenues	6,721,954	6,803,032	81,078	6,746,742
Expenditures:				
Capital outlay:				
Purchased professional services	863,162	888,954	(25,792)	912,787
Purchased property services	14,472,178	13,768,481	703,697	2,571,638
Other purchased services	4,100	4,100	-	1,850
Supplies	-	17,247	(17,247)	7,405
Property	1,565,570	2,002,997	(437,427)	1,466,195
Other objects	-	1,500	(1,500)	112,164
Debt service:				
Bond principal	635,000	635,000	-	622,000
Bond interest and fiscal charges	156,821	156,821	-	154,565
Bond issuance costs	-	-	-	196,969
Capital lease principal	-	20,971	(20,971)	-
Capital lease interest	-	3,923	(3,923)	-
Total expenditures	17,696,831	17,499,994	196,837	6,045,573
Excess (deficiency) of revenues over (under) expenditures	(10,974,877)	(10,696,962)	277,915	701,169
Other financing sources (uses):				
Proceeds from bonds issued	-	-	-	19,500,000
Premiums on bonds issued	-	-	-	978,836
Total other financing sources (uses)	-	-	-	20,478,836
Net change in fund balances	(10,974,877)	(10,696,962)	277,915	21,180,005
Fund balances - beginning	31,059,363	31,059,363	-	9,879,358
Fund balances - ending	\$ 20,084,486	\$ 20,362,401	\$ 277,915	\$ 31,059,363

LOGAN CITY SCHOOL DISTRICT
Combining Balance Sheet
Other Governmental Funds
June 30, 2020

	Special Revenue				Total Other Governmental Funds
	School Food Services	Pass-Through Taxes	Logan Schools Foundation	School Activity	
Assets:					
Cash and investments	\$ 1,189,431	\$ -	\$ 948,272	\$ 793,304	\$ 2,931,007
Receivables:					
Property taxes	-	1,715,449	-	-	1,715,449
Other local	11,035	-	-	-	11,035
State of Utah	113,684	-	-	-	113,684
Federal government	157,958	-	-	-	157,958
Inventories	132,594	-	-	-	132,594
Total assets	<u>\$ 1,604,702</u>	<u>\$ 1,715,449</u>	<u>\$ 948,272</u>	<u>\$ 793,304</u>	<u>\$ 5,061,727</u>
Liabilities:					
Accounts payable	\$ 3,886	\$ -	\$ 3,383	\$ 79,865	\$ 87,134
Deferred inflows of resources:					
Unavailable property tax revenue	-	19,073	-	-	19,073
Property taxes levied for future year	-	1,696,376	-	-	1,696,376
Total deferred inflows of resources	<u>-</u>	<u>1,715,449</u>	<u>-</u>	<u>-</u>	<u>1,715,449</u>
Fund balances:					
Nonspendable:					
Inventories	132,594	-	-	-	132,594
Restricted for:					
School food services	1,468,222	-	-	-	1,468,222
Donated purposes	-	-	267,113	-	267,113
Assigned to:					
Students	-	-	677,776	713,439	1,391,215
Total fund balances	<u>1,600,816</u>	<u>-</u>	<u>944,889</u>	<u>713,439</u>	<u>3,259,144</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,604,702</u>	<u>\$ 1,715,449</u>	<u>\$ 948,272</u>	<u>\$ 793,304</u>	<u>\$ 5,061,727</u>

LOGAN CITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
Year Ended June 30, 2020

	Special Revenue			School Activity	Total Other Governmental Funds
	School Food Services	Pass-Through Taxes	Logan Schools Foundation		
Revenues:					
Local sources:					
Property taxes	\$ -	\$ 1,665,627	\$ -	\$ -	\$ 1,665,627
Earnings on investments	40,830	-	38,551	12,080	91,461
Lunch sales	340,036	-	-	-	340,036
Other local	155,501	-	160,847	1,099,427	1,415,775
State of Utah	681,231	-	-	-	681,231
Federal government	2,650,166	-	-	-	2,650,166
Total revenues	3,867,764	1,665,627	199,398	1,111,507	6,844,296
Expenditures:					
Current:					
Instruction	-	-	-	1,123,859	1,123,859
School food services	3,387,720	-	-	-	3,387,720
Community services	-	-	177,101	-	177,101
Contribution to other governments	-	1,665,627	-	-	1,665,627
Total expenditures	3,387,720	1,665,627	177,101	1,123,859	6,354,307
Excess (deficiency) of revenues over (under) expenditures	480,044	-	22,297	(12,352)	489,989
Other financing sources (uses):					
Transfers in (out)	-	-	-	74,637	74,637
Net change in fund balances	480,044	-	22,297	62,285	564,626
Fund balances - beginning, as restated	1,120,772	-	922,592	651,154	2,694,518
Fund balances - ending	\$ 1,600,816	\$ -	\$ 944,889	\$ 713,439	\$ 3,259,144

LOGAN CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

School Food Services Fund

Special Revenue Fund

Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			2019
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Food sales	\$ 375,000	\$ 340,036	\$ (34,964)	\$ 431,078
Earnings on investments	-	40,830	40,830	-
Other local	105,000	155,501	50,501	169,643
State of Utah	500,000	681,231	181,231	525,428
Federal government	1,909,566	2,650,166	740,600	2,111,152
Total revenues	<u>2,889,566</u>	<u>3,867,764</u>	<u>978,198</u>	<u>3,237,301</u>
Expenditures:				
Current:				
Salaries	1,135,777	1,214,682	(78,905)	1,109,436
Employee benefits	376,582	361,800	14,782	327,840
Purchased professional services	95,000	82,771	12,229	107,256
Purchased property services	35,000	34,199	801	18,578
Other purchased services	2,500	2,414	86	2,876
Food and other supplies	1,396,000	1,582,806	(186,806)	1,426,672
Property	145,357	13,829	131,528	88,402
Other objects	201,504	95,219	106,285	146,369
Total expenditures	<u>3,387,720</u>	<u>3,387,720</u>	<u>-</u>	<u>3,227,429</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(498,154)	480,044	978,198	9,872
Fund balances - beginning	<u>1,120,772</u>	<u>1,120,772</u>	<u>-</u>	<u>1,110,900</u>
Fund balances - ending	<u>\$ 622,618</u>	<u>\$ 1,600,816</u>	<u>\$ 978,198</u>	<u>\$ 1,120,772</u>

LOGAN CITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Pass-Through Taxes Fund

Special Revenue Fund

Year Ended June 30, 2020 with Comparative Totals for 2019

	<u>2020</u>		<u>2019</u>	
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local:				
Property taxes	\$ 1,120,075	\$ 1,665,627	\$ 545,552	\$ 1,062,343
Expenditures:				
Contribution to other governments	1,120,075	1,665,627	(545,552)	1,062,343
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LOGAN CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Logan Schools Foundation
Special Revenue Fund
Year Ended June 30, 2020

Revenues:

Local:	
Earnings on investments	\$ 38,551
Contributions	<u>160,847</u>
Total revenues	<u>199,398</u>

Expenditures:

Current:	
Scholarships	78,806
Administration	<u>98,295</u>
Total expenditures	<u>177,101</u>
Excess of revenues over expenditures / net change in fund balances	22,297

Fund balances - beginning	<u>922,592</u>
Fund balances - ending	<u><u>\$ 944,889</u></u>

LOGAN CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activity Fund
Special Revenue Fund
Year Ended June 30, 2020 with Comparative Totals for 2019

	2020		2019
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Actual Amounts</u>
Revenues:			
Local:			
Earnings on investments	\$ 2,500	\$ 12,080	\$ 14,331
Student and activity fees	1,510,000	1,099,427	1,183,699
Total revenues	<u>1,512,500</u>	<u>1,111,507</u>	<u>1,198,030</u>
Expenditures:			
Current:			
Purchased services	284,000	124,320	1,016,474
Supplies	1,100,700	873,955	212,130
Other	180,700	125,584	81,804
Total expenditures	<u>1,565,400</u>	<u>1,123,859</u>	<u>1,310,408</u>
Deficiency of revenues under expenditures	(52,900)	(12,352)	(112,378)
Other financing sources (uses):			
Transfers in (out)	74,000	74,637	111,236
Net change in fund balances	21,100	62,285	(1,142)
Fund balances - beginning	<u>651,154</u>	<u>651,154</u>	<u>652,296</u>
Fund balances - ending	<u>\$ 672,254</u>	<u>\$ 713,439</u>	<u>\$ 651,154</u>

LOGAN CITY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5
Summary Schedule of Prior Audit Findings	8
Schedule of Findings and Questioned Costs	9
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance Required by the <i>State Compliance Audit Guide</i>	11

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor / Pass Through Grantor / Program Title	CFDA Number	Pass-through Identifying Number	District's Program Number	Receivable (Unearned) June 30, 2019	Received	Expended	Receivable (Unearned) June 30, 2020
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through Utah State Board of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	SBP	8074	\$ -	\$ 592,209	\$ 653,176	\$ 60,967
National School Lunch Program	10.555	NSLF, NSLP	8071/8072/8075	25,910	1,694,373	1,765,455	96,992
National School Lunch Program (Donated Commodities)	10.555	N/A	8001	-	231,534	231,534	-
Total Child Nutrition Cluster				25,910	2,518,116	2,650,165	157,959
Passed through Cache County:							
<i>Forest Service Schools and Roads Cluster:</i>							
School and Roads - Grants to States	10.665	N/A	7210	-	27,135	27,135	-
Total U.S. Department of Agriculture				25,910	2,545,251	2,677,300	157,959
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:							
Passed through Utah Department of Heritage and Arts:							
Grants to States	45.310	201671	7390	-	3,000	2,134	(866)
Total Institute of Museum and Library Services				-	3,000	2,134	(866)
U.S. DEPARTMENT OF EDUCATION:							
Passed through Utah State Board of Education:							
<i>Special Education Cluster (IDEA):</i>							
Special Education Grants to States	84.027	FTFL	7524	1,020,597	1,033,516	1,040,297	1,027,378
Special Education Preschool Grants	84.173	PRE	7522	56,713	58,634	56,934	55,013
Total Special Education Cluster (IDEA)				1,077,310	1,092,150	1,097,231	1,082,391
Title I Grants to Local Educational Agencies	84.010	T1FT	7801	1,333,985	2,562,052	1,701,008	472,941
Migrant Education State Grant Program	84.011	MGFT	7830	2,501	16,950	23,210	8,761
Career and Technical Education - Basic Grants to States	84.048	FLEA, LDSP	7401	120,203	120,203	-	-
Education for Homeless Children and Youth	84.196	MVFT	7950	4,862	5,016	2,367	2,213
Twenty-First Century Community Learning Grant	84.287	ASFT, ASFC, ASSU	7910/7915	167,669	370,529	225,907	23,047
Rural Education	84.358	RLFT	7940	-	66,548	108,885	42,337
English Language Acquisition State Grants	84.365	ELFT	7880	71,854	182,283	113,188	2,759
Supporting Effective Instruction State Grants	84.367	2FT	7860	190,190	414,478	380,092	155,804
Student Support and Academic Enrichment Program	84.424	4AFT	7905	-	82,458	110,435	27,977
Passed through Utah State University:							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	7711/7712	417,139	1,030,864	808,344	194,619
Passed through Box Elder School District:							
Career and Technical Education - Basic Grants to States	84.048	N/A	7401	-	129,000	100,123	(28,877)
Total U.S. Department of Education				3,385,713	6,072,531	4,670,790	1,983,972
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
<i>TANF Cluster:</i>							
Passed through Utah State Board of Education:							
Temporary Assistance for Needy Families	93.558	KSE, PCA	7352	67,948	121,478	74,579	21,049
<i>CCDF Cluster:</i>							
Passed through Department of Workforce Services:							
Child Care and Development Block Grant	93.575	N/A	7350	-	193,667	131,012	(62,655)
Total U.S. Department of Health and Human Services				67,948	315,145	205,591	(41,606)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:							
Passed through Ogden School District:							
AmeriCorps	94.006	N/A	7602	32,556	32,556	-	-
Passed through United Way:							
AmeriCorps	94.006	N/A	7602	-	13,167	13,167	-
Total Corporation for National and Community Service				32,556	45,723	13,167	-
TOTAL FEDERAL AWARDS				\$ 3,512,127	\$ 8,981,650	\$ 7,568,982	\$ 2,099,459

The accompanying notes are an integral part of this schedule.

LOGAN CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS FOR PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Logan City School District (the District) under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Donated food commodities are recorded at acquisition value in the *school food services fund* as an inventory asset and federal revenue when received totaling \$231,534 for the year ended June 30, 2020. Donated food commodity inventories are recorded as expenditures in the *school food services fund* when they are consumed by the schools; for purposes of the Schedule, donated food commodities are also recorded as expenditures when received.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – RELATIONSHIP TO THE DISTRICT’S FINANCIAL STATEMENTS

The District received Medical Assistance Program grant monies through the State of Utah Department of Health. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2020 is as follows:

General fund	\$ 5,408,380
Other governmental funds:	
School food services	<u>2,650,166</u>
Total governmental funds	8,058,546
Medical Assistance program monies received from the State of Utah Department of Health	<u>(489,564)</u>
Total federal expenditures as reported on the schedule of expenditures of federal awards (SEFA)	<u><u>\$ 7,568,982</u></u>

NOTE D – SUBRECIPIENTS OF FEDERAL AWARDS

The District did not provide federal award funding to any subrecipients during the year ended June 30, 2020.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Logan City School District

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, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 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) as a basis for determining 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-1 and 2020-2 that we consider to be material weaknesses.

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 financial statements. 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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire + Company, PC

Orem, Utah
November 17, 2020



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Education
Logan City School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Logan City School District (the District) 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, 2020.

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 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, 2020.

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 have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan City School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 17, 2020, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Squire & Company, PC

Orem, Utah
November 17, 2020

LOGAN CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

2019-001 Reconciliations not being performed on a timely basis.

This finding has been partly resolved and is repeated in the current year as finding 2020-2.

2019-002 Loss of key accounting and software operation personnel due to employee turnover.

This matter has been resolved.

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified	No
Significant deficiency identified	None Reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of Major Federal Programs

Name of Federal Program (CFDA Number)

- Special Education Cluster (IDEA):*
- Special Education Grants to States (84.027)
- Special Education Preschool Grants (84.173)
- Title I Grants to Local Educational Agencies (84.010)
- Supporting Effective Instruction State Grants (84.367)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-1 As discussed in Note 11 to the basic financial statements for the year ended June 30, 2020, beginning net position/fund balances were restated to present the District’s basic financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The most significant adjustments related to recognition of restricted source revenue, recognition of employee benefit obligations, and the inclusion of the District’s foundation as a blended component unit.

2020-2 Significant adjustments to general ledger accounts were necessary to reflect accurate balances and activity for the year; due primarily to reconciliations of those accounts not being performed timely. These adjustments included recognition of state and federal revenues and adjustment of related balance sheet accounts, recording of additional liabilities, and proper classification of debt and capital lease payments.

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

We recommend management ensure reliable external financial reports are prepared in accordance with GAAP.

Views of Responsible Officials – The audit committee has considered these matters. Processes will be applied to ensure accounts are reconciled to the general ledger.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Education
Logan City School District

Report on Compliance

We have audited the compliance of Logan City School District (the District) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2020.

- Budgetary Compliance
- Fund Balance
- Open and Public Meetings Act
- Fraud Risk Assessment
- Public Treasurer's Bond
- Minimum School Program – Unrestricted Programs
- Minimum School Program – Restricted Programs: Special Education, Teacher and Student Success Act, and Dual Immersion
- School District Tax Levies
- School Fees

Management's Responsibility

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

Auditor's 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*, issued by the Office of the Utah State Auditor. 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, Logan City School District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

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 below. Our opinion on compliance is not modified with respect to these matters.

Program Accounting – During 2020, the District received State Special Education program revenues. Within this program, the State has identified sub-programs that have specific and unique compliance requirements, including maintaining a separate accounting for each. The District has not maintained this separation for every one of these sub-programs.

Allocation of Program Costs – We noted that the District allocated to the State Special Education program personnel costs of an individual who no longer works in the program. The District subsequently corrected the allocation. We recommend the District update its controls over allocating payroll costs to programs and ensure those controls are functioning properly.

Budgetary Compliance – Title 53G-7-307 requires that expenditures not exceed budgeted amounts at the fund level for school districts. For the year ended June 30, 2020, the District did not budget for the effect of the charter school levy in the pass-through taxes fund. As a result, expenditures exceeded budgeted amounts by \$545,552. We recommend the District ensure that charter school levy amounts are included in all future budgets.

Views of responsible officials – The District will review its policies and internal controls and ensure timely action is taken when noncompliance is identified.

The District's response to the noncompliance findings identified in our audit is described above. 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 our 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.

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 *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire + Company, PC

Orem, Utah
November 17, 2020