



Peterson  
Allred  
Jackson

**NORTH LOGAN CITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2008**

**With Comparative Totals  
For June 30, 2007**

- Certified Public Accountants  
Business Consultants

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**INTRODUCTORY SECTION**

CITY OF NORTH LOGAN

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CARY WATKINS, MAYOR

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR, RECORDER

October 6, 2008

North Logan City  
North Logan, Utah

Council:

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2008, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2008, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Cary Watkins  
North Logan City

**FINANCIAL SECTION**

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Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 6, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results for our audit.

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The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund statements and schedule of impact fees listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Peterson Allred Jackson*

October 6, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2008.

### FINANCIAL HIGHLIGHTS

- General unreserved fund balance was 16% of estimated general fund revenue as of 6/30/08 (State of Utah requires between 5% and 18%).
- The total net assets of North Logan City increased 5.0% to \$16,753,866.
- The total net assets of \$16,753,866 are made up of \$14,109,421 in capital assets net of related debt and \$2,644,445 in other net assets.
- In the General Fund, revenues were more than expenditures by \$473,887 before other financing sources and uses.
- Total long-term liabilities of the City were reduced by \$609,241.
- Business-type activities' total net assets increased \$459,017.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- The statement of net assets presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Library Special Revenue Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its Water Utility, Sewer Utility, and Storm Water Utility.

As determined by generally accepted accounting principles, the Water Utility and Sewer Utility funds meet the criteria of major fund classification. The rest of the proprietary funds are determined to be nonmajor and are included in the combining statements within this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceed liabilities by \$16,753,866.

By far the largest portion of North Logan City's net assets (85%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 2,673,763	\$ 2,569,465	\$ 1,633,475	\$ 1,493,129
Capital assets	8,956,436	8,860,886	8,775,632	8,668,349
Total assets	11,630,199	11,430,351	10,409,107	10,161,478
Long-term debt outstanding	1,065,000	1,488,841	2,557,647	2,743,047
Other liabilities	1,548,909	1,267,756	113,884	139,872
Total liabilities	2,613,909	2,756,597	2,671,531	2,882,919
Net assets:				
Invested in capital assets, net of debt	7,891,436	7,372,045	6,217,985	5,925,302
Restricted	199,504	357,157	794,278	611,913
Unrestricted	925,350	944,552	725,313	741,344
Total net assets	\$ 9,016,290	\$ 8,673,754	\$ 7,737,576	\$ 7,278,559

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Revenues:				
Program revenues:				
Charges for services	\$ 1,457,833	\$ 1,511,686	\$ 1,651,555	\$ 1,554,120
Dedicated property tax	381,131	366,725	32,911	32,911
Operating grants & contributions	158,330	147,145	-	-
Capital grants & contributions	593,710	583,783	342,778	328,683
General revenues:				
Property taxes	491,176	426,650	-	-
Other taxes	2,261,409	2,091,263	-	-
Investment income	55,246	66,027	72,179	67,005
Other revenues	32,125	269,049	-	-
Total revenues	5,430,960	5,462,328	2,099,423	1,982,719
Expenses:				
General government	690,716	638,899	-	-
Public Safety	1,622,951	1,402,536	-	-
Streets	1,013,080	1,153,900	-	-
Sanitation	651,183	595,695	-	-
Parks & recreation	930,560	1,150,283	-	-
Community development	179,934	184,821	-	-
Water	-	-	798,981	730,573
Sewer	-	-	779,005	677,406
Storm water	-	-	62,420	75,021
Total expenses	5,088,424	5,126,134	1,640,406	1,483,000
Increase (decrease) in net assets	342,536	336,194	459,017	499,719
Net assets, beginning	8,673,754	8,337,560	7,278,559	6,778,840
Net assets, ending	\$ 9,016,290	\$ 8,673,754	\$ 7,737,576	\$ 7,278,559

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

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

As of June 30, 2008, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,490,162. This represents an increase of \$80,618 (6%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the largest source of revenue in the General Fund and represent 56% of total general fund revenues. The largest element is sales taxes, which represent 82% of total tax revenues and 46% of total General Fund revenues. This compares with 42% in the prior fiscal year ended June 30, 2007.

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

Significant changes in the governmental funds include a decrease of long-term debt of \$423,841 due to bond and lease principal payments.

Significant changes in business-type activities include a decrease in long-term debt of \$185,400 due to bond principal payments.

### **GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$4,832,113, which was increased 11% to \$5,371,672 to fund additional road improvements and set aside money for future vehicle replacement and construction of new buildings.

The Library Fund original budget for expenditures was \$525,634, which was increased .1% to \$528,444 to cover benefits for additional full-time staff.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2008, amounts to \$17,732,068. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc), and equipment. The total increase in the City's investment in fixed assets was less than 2% due to capital additions noted below being greater than depreciation as described in Note 10 to the financial statements.

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

- \$23,290 for sewer system improvements.
- \$86,603 for additional land.
- \$492,563 for construction of roads and sidewalks.
- \$146,816 for water system improvements.
- \$140,605 for new storage buildings.
- \$30,000 for GIS system
- \$34,974 for a portable sewer camera
- \$81,011 for recreation improvements to parks
- \$209,158 for replacement of vehicles

#### NORTH LOGAN CITY'S CAPITAL ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land & water shares	\$ 2,244,684	\$ 327,310
Buildings and equipment	5,401,971	1,047,083
Systems	11,457,903	12,539,143
Less: Accumulated depreciation	<u>(10,148,122)</u>	<u>(5,137,904)</u>
Total	<u>\$ 8,956,436</u>	<u>\$ 8,775,632</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2008, the City had total bonded debt outstanding of \$3,622,647. Of this amount \$3,081,001 is considered to be general obligation debt and backed by the full faith and credit of the City. The remainder of \$541,646 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

#### NORTH LOGAN CITY'S OUTSTANDING DEBT

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General obligation bonds- water, sewer, library, and roads	\$ 1,065,000	\$ 2,016,001
Revenue bonds		541,646
Total outstanding debt	<u>\$ 1,065,000</u>	<u>\$ 2,557,647</u>

The City's bonded debt decreased by \$555,400 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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**NORTH LOGAN CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

With Comparative Totals for June 30, 2007

ASSETS	Governmental	Business-type	Memorandum Totals	
	Activities	Activities	2008	2007
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash & Cash equivalents	\$ 731,528	\$ 670,335	\$ 1,401,863	\$ 1,531,966
Account receivable, net	1,251,942	149,521	1,401,463	1,444,004
Prepaid expense	34,751	-	34,751	26,534
Total current assets	<u>2,018,221</u>	<u>819,856</u>	<u>2,838,077</u>	<u>3,002,504</u>
<b>Noncurrent assets:</b>				
Deferred issue cost	21,981	19,342	41,323	31,617
<b>Restricted assets:</b>				
Cash	633,561	794,277	1,427,838	1,028,473
<b>Capital assets:</b>				
Land and water shares	2,244,684	327,310	2,571,994	2,485,391
Distribution and collection systems	11,457,903	12,539,143	23,997,046	23,334,377
Buildings and equipment	5,401,971	1,047,083	6,449,054	6,120,118
Less: Accumulated Depreciation	(10,148,122)	(5,137,904)	(15,286,026)	(14,410,651)
Total noncurrent assets	<u>9,611,978</u>	<u>9,589,251</u>	<u>19,201,229</u>	<u>18,589,325</u>
Total assets	<u>11,630,199</u>	<u>10,409,107</u>	<u>22,039,306</u>	<u>21,591,829</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Cash allocation	-	-	-	19,259
Accounts payable	153,946	102,994	256,940	355,167
Accrued expense	185,601	-	185,601	102,068
Deposits	11,748	-	11,748	10,643
Accrued interest payable	1,549	10,890	12,439	15,015
Bonds/leases payable within one year	118,000	185,348	303,348	459,968
Total current liabilities	<u>470,844</u>	<u>299,232</u>	<u>770,076</u>	<u>962,120</u>
<b>Noncurrent liabilities:</b>				
Bonds payable	947,000	2,372,299	3,319,299	3,771,920
Deferred amount on refunding	251,641	-	251,641	-
Accrued compensated absences	134,099	-	134,099	118,175
Deferred revenue	810,325	-	810,325	787,301
Total noncurrent liabilities	<u>2,143,065</u>	<u>2,372,299</u>	<u>4,515,364</u>	<u>4,677,396</u>
Total liabilities	<u>2,613,909</u>	<u>2,671,531</u>	<u>5,285,440</u>	<u>5,639,516</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,891,436	6,217,985	14,109,421	13,297,347
<b>Restricted for:</b>				
Debt service	-	413,603	413,603	420,595
Impact fees	176,911	380,675	557,586	368,744
Library debt service	1,270	-	1,270	166,160
Equestrian Park	1,163	-	1,163	1,113
Little League	4,166	-	4,166	3,397
State liquor funds	15,994	-	15,994	9,061
Unrestricted	925,350	725,313	1,650,663	1,685,896
Total Net Assets	<u>\$ 9,016,290</u>	<u>\$ 7,737,576</u>	<u>\$ 16,753,866</u>	<u>\$ 15,952,313</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**With Comparative Totals for June 30, 2007**

	Program Revenues							Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities	Business Type Activities	2008	2007
<b>Governmental activities:</b>									
General government	\$ 690,716	\$ 187,128	\$ -	\$ -	\$ -	\$ (503,588)	\$ -	\$ (503,588)	\$ (380,140)
Public Safety	1,622,951	567,024	-	27,640	31,140	(997,147)	-	(997,147)	(728,744)
Streets	1,013,080	10,768	-	-	429,262	(573,050)	-	(573,050)	(768,236)
Sanitation	651,183	666,635	-	-	-	15,452	-	15,452	19,140
Parks and recreation	930,560	26,278	381,131	130,690	133,308	(259,153)	-	(259,153)	(473,994)
Community development	179,934	-	-	-	-	(179,934)	-	(179,934)	(184,821)
<b>Total governmental activities</b>	<b>5,088,424</b>	<b>1,457,833</b>	<b>381,131</b>	<b>158,330</b>	<b>593,710</b>	<b>(2,497,420)</b>	<b>-</b>	<b>(2,497,420)</b>	<b>(2,516,795)</b>
<b>Business-type activities:</b>									
Water	798,981	899,731	-	-	253,932	-	354,682	354,682	354,224
Sewer	779,005	586,652	32,911	-	88,846	-	(70,596)	(70,596)	33,106
Storm water	62,420	165,172	-	-	-	-	102,752	102,752	45,384
<b>Total business-type activities</b>	<b>1,640,406</b>	<b>1,651,555</b>	<b>32,911</b>	<b>-</b>	<b>342,778</b>	<b>-</b>	<b>386,838</b>	<b>386,838</b>	<b>432,714</b>
<b>General Revenues:</b>									
Taxes:									
Property taxes levied for general purposes						491,176	-	491,176	426,650
Franchise taxes						16,948	-	16,948	14,752
General sales taxes & highway sales taxes						2,244,461	-	2,244,461	2,076,511
Business licenses						27,314	-	27,314	10,508
Sale of fixed assets						4,811	-	4,811	258,541
Investment income						55,246	72,179	127,425	133,032
<b>Total general revenues</b>						<b>2,839,956</b>	<b>72,179</b>	<b>2,912,135</b>	<b>2,919,994</b>
Change in net assets						342,536	459,017	801,553	835,913
Net assets - beginning						8,673,754	7,278,559	15,952,313	15,116,400
Net assets - ending						<b>\$ 9,016,290</b>	<b>\$ 7,737,576</b>	<b>\$ 16,753,866</b>	<b>\$ 15,952,313</b>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
BALANCE SHEET  
JUNE 30, 2008  
With Comparative Totals for June 30, 2007

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2008	2007
<b>ASSETS</b>					
Cash & cash equivalents	\$ 588,078	\$ 143,450	\$ -	\$ 731,528	\$ 833,501
Accounts receivable, net	1,251,942	-	-	1,251,942	1,282,530
Prepaid expense	34,751	-	-	34,751	26,534
Restricted cash	198,234	1,270	434,057	633,561	416,560
<b>Total assets</b>	<b>\$ 2,073,005</b>	<b>\$ 144,720</b>	<b>\$ 434,057</b>	<b>\$ 2,651,782</b>	<b>\$ 2,559,125</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 150,882	\$ 3,064	\$ -	\$ 153,946	\$ 249,569
Accrued expenses	177,116	8,485	-	185,601	102,068
Deposits	11,748	-	-	11,748	10,643
Deferred revenue	810,325	-	-	810,325	787,301
<b>Total liabilities</b>	<b>1,150,071</b>	<b>11,549</b>	<b>-</b>	<b>1,161,620</b>	<b>1,149,581</b>
<b>Fund Balance:</b>					
<b>Reserved for:</b>					
Park impact	91,907	-	-	91,907	52,873
Road impact	85,004	-	-	85,004	124,553
Library debt service	-	1,270	-	1,270	166,160
Equestrian Park	1,163	-	-	1,163	1,113
Little League	4,166	-	-	4,166	3,397
State liquor funds	15,994	-	-	15,994	9,061
<b>Unreserved:</b>					
General fund	724,700	-	-	724,700	915,474
Special revenue funds	-	131,901	-	131,901	77,510
Capital projects funds	-	-	434,057	434,057	59,403
<b>Total fund balances</b>	<b>922,934</b>	<b>133,171</b>	<b>434,057</b>	<b>1,490,162</b>	<b>1,409,544</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,073,005</b>	<b>\$ 144,720</b>	<b>\$ 434,057</b>		
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources so they are not reported in the funds.					
The cost of these assets is \$19,104,558 and \$18,402,323, respectively and the accumulated depreciation is \$10,148,122 and \$9,541,437, respectively.					
				8,956,436	8,860,886
Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.					
				(1,430,308)	(1,596,676)
<b>Total net assets-governmental activities</b>				<b>\$ 9,016,290</b>	<b>\$ 8,673,754</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008  
With Comparative Totals for June 30, 2007**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2008	2007
<b>Revenues:</b>					
Taxes	\$ 2,752,585	\$ 381,131	\$ -	\$ 3,133,716	\$ 2,884,638
Licenses and permits	269,139	-	-	269,139	307,760
Intergovernmental revenue	468,937	7,474	-	476,411	407,767
Charges for services	1,175,807	-	-	1,175,807	1,154,860
Fines	183,840	10,404	-	194,244	263,498
Other	43,284	125,495	8,053	176,832	185,264
<b>Total revenues</b>	<b>4,893,592</b>	<b>524,504</b>	<b>8,053</b>	<b>5,426,149</b>	<b>5,203,787</b>
<b>Expenditures:</b>					
Current operations:					
General government	604,255	-	63,460	667,715	638,544
Public safety	1,552,169	-	32,944	1,585,113	1,474,878
Streets	824,946	-	208,820	1,033,766	869,581
Sanitation	651,183	-	-	651,183	595,695
Parks and recreation	471,152	306,577	-	777,729	1,082,541
Community development	179,738	-	-	179,738	184,428
Debt service:					
Principal	130,000	-	-	130,000	215,000
Interest	6,262	66,445	-	72,707	77,495
<b>Total expenditures</b>	<b>4,419,705</b>	<b>373,022</b>	<b>305,224</b>	<b>5,097,951</b>	<b>5,138,162</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>473,887</b>	<b>151,482</b>	<b>(297,171)</b>	<b>328,198</b>	<b>65,625</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	14,401	-	-	14,401	258,541
Bond proceeds	-	1,065,000	-	1,065,000	-
Bond issuance costs	-	(21,981)	-	(21,981)	-
Bond refunding	-	(1,305,000)	-	(1,305,000)	-
Transfers in (out)	(671,825)	-	671,825	-	-
<b>Total other financing sources</b>	<b>(657,424)</b>	<b>(261,981)</b>	<b>671,825</b>	<b>(247,580)</b>	<b>258,541</b>
<b>Net change in fund balances</b>	<b>(183,537)</b>	<b>(110,499)</b>	<b>374,654</b>	<b>80,618</b>	<b>324,166</b>
<b>Fund balances, beginning of year</b>	<b>1,106,471</b>	<b>243,670</b>	<b>59,403</b>	<b>1,409,544</b>	<b>1,085,378</b>
<b>Fund balances, end of year</b>	<b>\$ 922,934</b>	<b>\$ 133,171</b>	<b>\$ 434,057</b>	<b>\$ 1,490,162</b>	<b>\$ 1,409,544</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

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

Net change in fund balances-total governmental funds \$ 80,618

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

Purchases of fixed assets	845,934	
Loss on disposal of assets	(9,590)	
Depreciation expense	<u>(740,794)</u>	95,550

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	1,173,019	
Repayment of lease principal	53,841	
Bond proceeds	(1,065,000)	
Change in accrued interest payable	(1,549)	
Change in accrued compensated absences	(15,924)	
Amortization of bond issuance costs/bond refunding	<u>21,981</u>	<u>166,368</u>

Change in net assets of governmental activities \$ 342,536

NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008

GENERAL FUND REVENUES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Taxes:</b>				
General property taxes-current	\$ 369,699	\$ 384,362	\$ 375,665	\$ (8,697)
Prior years' taxes-delinquent	15,224	15,224	15,766	542
General sales & use taxes	1,994,281	2,225,000	2,244,461	19,461
Franchise taxes	15,000	15,000	16,948	1,948
Fee-in-lieu of property taxes	106,667	108,667	99,745	(8,922)
<b>Total taxes</b>	<b>2,500,871</b>	<b>2,748,253</b>	<b>2,752,585</b>	<b>4,332</b>
<b>Licenses &amp; permits:</b>				
Business licenses & permits	9,500	24,632	27,314	2,682
Building structures & equipment	290,000	240,000	235,182	(4,818)
Animal licenses	6,300	6,425	6,643	218
<b>Total licenses &amp; permits</b>	<b>305,800</b>	<b>271,057</b>	<b>269,139</b>	<b>(1,918)</b>
<b>Intergovernmental revenues:</b>				
Public safety	-	73,233	108,729	35,496
State and other governmental grants	71,200	89,855	57,398	(32,457)
Class "C" road fund allotment	330,000	330,000	302,810	(27,190)
<b>Total intergovernmental revenues</b>	<b>401,200</b>	<b>493,088</b>	<b>468,937</b>	<b>(24,151)</b>
<b>Charges for services:</b>				
Zoning & subdivision fees	308,000	231,000	236,746	5,746
Sale of maps & publications	100	100	-	(100)
Public safety	252,411	257,984	259,091	1,107
Refuse collection charges	665,000	665,000	666,635	1,635
Parks and public property	11,100	12,210	13,335	1,125
<b>Total charges for services</b>	<b>1,236,611</b>	<b>1,166,294</b>	<b>1,175,807</b>	<b>9,513</b>
<b>Fines &amp; forfeitures:</b>				
Fines	223,000	200,410	182,985	(17,425)
Forfeitures	-	-	855	855
<b>Total fines &amp; forfeitures</b>	<b>223,000</b>	<b>200,410</b>	<b>183,840</b>	<b>(16,570)</b>
<b>Miscellaneous revenue:</b>				
Interest earnings	29,420	29,420	33,106	3,686
Rents & concessions	9,000	9,000	8,178	(822)
Sale of materials & supplies	15,000	15,000	14,401	(599)
<b>Total Miscellaneous revenue</b>	<b>53,420</b>	<b>53,420</b>	<b>55,685</b>	<b>2,265</b>
<b>Contributions &amp; transfers:</b>				
Transfer from other funds	-	-	-	-
Contribution from private sources	19,000	19,000	2,000	(17,000)
<b>Total contributions &amp; transfers</b>	<b>19,000</b>	<b>19,000</b>	<b>2,000</b>	<b>(17,000)</b>
<b>Total Revenues</b>	<b>\$ 4,739,902</b>	<b>\$ 4,951,522</b>	<b>\$ 4,907,993</b>	<b>\$ (43,529)</b>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2008

GENERAL FUND EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
General government:				
Legislative	\$ 79,494	\$ 82,999	\$ 85,341	\$ (2,342)
Judicial	165,141	168,339	163,998	4,341
Executive	91,828	90,056	87,320	2,736
Administrative	112,063	112,281	102,839	9,442
Non-departmental	168,698	159,754	156,806	2,948
Planning & zoning	14,053	11,053	7,951	3,102
Total general government	<u>631,277</u>	<u>624,482</u>	<u>604,255</u>	<u>20,227</u>
Public Safety:				
Police department	815,838	818,481	824,691	(6,210)
Fire department	421,751	437,016	418,579	18,437
Protective inspection	280,305	269,335	255,929	13,406
Animal control	56,298	56,175	52,970	3,205
Total Public Safety	<u>1,574,192</u>	<u>1,581,007</u>	<u>1,552,169</u>	<u>28,838</u>
Streets & public improvements:				
Streets	812,449	964,088	824,946	139,142
Sanitation	633,000	655,000	651,183	3,817
Total streets & improvements	<u>1,445,449</u>	<u>1,619,088</u>	<u>1,476,129</u>	<u>142,959</u>
Parks, Recreation & Public Property:				
Park & park areas	468,303	479,599	420,952	58,647
Recreation & culture	43,360	45,092	44,437	655
Cemetery	5,000	2,500	5,763	(3,263)
Total parks, recreation & public property	<u>516,663</u>	<u>527,191</u>	<u>471,152</u>	<u>56,039</u>
Community & economic development:				
Community planning	178,757	211,904	179,738	32,166
Debt service:				
Debt service	136,175	136,175	136,262	(87)
Transfers & other uses:				
Transfer to other funds	349,600	671,825	671,825	-
Total transfers & other uses	<u>349,600</u>	<u>671,825</u>	<u>671,825</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4,832,113</u>	<u>5,371,672</u>	<u>5,091,530</u>	<u>280,142</u>
Net change in fund balance	(92,211)	(420,150)	(183,537)	236,613
Fund balance at beginning of year	1,106,471	1,106,471	1,106,471	-
Fund balance at end of year	<u>\$ 1,014,260</u>	<u>\$ 686,321</u>	<u>\$ 922,934</u>	<u>\$ 236,613</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>LIBRARY FUND REVENUES</b>				
Dedicated property taxes	\$ 396,663	\$ 382,000	\$ 381,131	\$ (869)
Intergovernmental revenue	4,000	4,000	7,474	3,474
Fines	9,360	9,360	10,404	1,044
Other	124,500	134,923	125,495	(9,428)
<b>Total Revenues</b>	<u>534,523</u>	<u>530,283</u>	<u>524,504</u>	<u>(5,779)</u>
<b>Transfers</b>				
Transfer from other funds	-	-	-	-
<b>Total Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Transfers</b>	534,523	530,283	524,504	(5,779)
<b>LIBRARY FUND EXPENDITURES</b>				
General operations	369,226	372,036	306,577	65,459
Debt service principal	95,000	95,000	-	95,000
Debt service interest	61,408	61,408	66,445	(5,037)
<b>Total Expenditures</b>	<u>525,634</u>	<u>528,444</u>	<u>373,022</u>	<u>155,422</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	1,065,000	1,065,000
Bond issuance costs	-	-	(21,981)	(21,981)
Bond refunding	-	-	(1,305,000)	(1,305,000)
<b>Total Other</b>	<u>-</u>	<u>-</u>	<u>(261,981)</u>	<u>(261,981)</u>
<b>Net change in fund balance</b>	8,889	1,839	(110,499)	(112,338)
<b>Fund balance at beginning of year</b>	<u>243,670</u>	<u>243,670</u>	<u>243,670</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 252,559</u>	<u>\$ 245,509</u>	<u>\$ 133,171</u>	<u>\$ (112,338)</u>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008  
With Comparative Totals for June 30, 2007

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2008	2007
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 546,626	\$ 40,803	\$ 82,906	\$ 670,335	\$ 698,465
Accounts receivable, net	78,964	55,338	15,219	149,521	161,474
Total current assets	625,590	96,141	98,125	819,856	859,939
Noncurrent assets:					
Deferred issue cost	19,342	-	-	19,342	21,277
Restricted cash	536,093	258,184	-	794,277	611,913
Capital assets					
Land & water shares	326,460	850	-	327,310	327,310
Distribution and collection systems	7,828,414	4,710,729	-	12,539,143	12,369,037
Buildings and equipment	732,966	314,117	-	1,047,083	841,216
Less accumulated depreciation	(2,983,852)	(2,154,052)	-	(5,137,904)	(4,869,214)
Total noncurrent assets	6,459,423	3,129,828	-	9,589,251	9,301,539
<b>TOTAL ASSETS</b>	<b>7,085,013</b>	<b>3,225,969</b>	<b>98,125</b>	<b>10,409,107</b>	<b>10,161,478</b>
<b>LIABILITIES</b>					
Current liabilities:					
Cash allocation	-	-	-	-	19,259
Accounts payable	14,775	87,318	901	102,994	105,598
Accrued interest payable	3,240	7,650	-	10,890	15,015
Bonds payable - due within a year	140,000	45,348	-	185,348	181,127
Total current liabilities	158,015	140,316	901	299,232	320,999
Noncurrent liabilities:					
Bonds payable - due in more than one year	1,570,000	802,299	-	2,372,299	2,561,920
Total noncurrent liabilities	1,570,000	802,299	-	2,372,299	2,561,920
Total liabilities	1,728,015	942,615	901	2,671,531	2,882,919
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,193,988	2,023,997	-	6,217,985	5,925,302
Restricted for debt service	269,570	144,033	-	413,603	420,595
Restricted for impact fees	266,523	114,152	-	380,675	191,318
Unrestricted	626,917	1,172	97,224	725,313	741,344
Total net assets	\$ 5,356,998	\$ 2,283,354	\$ 97,224	\$ 7,737,576	\$ 7,278,559

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUNDS**

JUNE 30, 2008

With Comparative Totals for June 30, 2007

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2008	2007
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 895,966	\$ 586,652	\$ 165,172	\$ 1,647,790	\$ 1,550,952
Impact fees	253,932	88,846	-	342,778	328,683
Other	3,765	-	-	3,765	3,168
<b>Total operating revenues</b>	<b>1,153,663</b>	<b>675,498</b>	<b>165,172</b>	<b>1,994,333</b>	<b>1,882,803</b>
<b>OPERATING EXPENSES</b>					
Wages and benefits	132,418	62,792	7,917	203,127	177,130
Professional fees	23,436	16,187	20,823	60,446	15,788
Disposal and treatment	-	496,358	-	496,358	408,457
Utilities	92,052	-	-	92,052	85,590
Repairs and maintenance	149,147	3,597	2,648	155,392	146,253
Other	80,141	41,640	22,653	144,434	162,961
Facilities	49,317	12,550	8,379	70,246	70,987
Depreciation/amortization	185,751	98,837	-	284,588	270,642
<b>Total operating expenses</b>	<b>712,262</b>	<b>731,961</b>	<b>62,420</b>	<b>1,506,643</b>	<b>1,337,808</b>
<b>Operating income (loss)</b>	<b>441,401</b>	<b>(56,463)</b>	<b>102,752</b>	<b>487,690</b>	<b>544,995</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	54,011	17,013	1,155	72,179	67,005
Miscellaneous expense	(7,073)	(2,269)	-	(9,342)	(5,144)
Interest expense	(79,646)	(44,775)	-	(124,421)	(140,048)
Property tax	-	32,911	-	32,911	32,911
Loss on sale of fixed assets	-	-	-	-	-
<b>Total non-operating revenue (expense)</b>	<b>(32,708)</b>	<b>2,880</b>	<b>1,155</b>	<b>(28,673)</b>	<b>(45,276)</b>
<b>Change in net assets</b>	<b>408,693</b>	<b>(53,583)</b>	<b>103,907</b>	<b>459,017</b>	<b>499,719</b>
<b>Total net assets - beginning</b>	<b>4,948,305</b>	<b>2,336,937</b>	<b>(6,683)</b>	<b>7,278,559</b>	<b>6,778,840</b>
<b>Total net assets -ending</b>	<b>\$ 5,356,998</b>	<b>\$ 2,283,354</b>	<b>\$ 97,224</b>	<b>\$ 7,737,576</b>	<b>\$ 7,278,559</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008  
With Comparative Totals for June 30, 2007**

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,139,574	\$ 676,829	\$ 165,977	\$ 1,982,380	\$ 1,869,602
Payments to suppliers	(396,469)	(557,574)	(57,050)	(1,011,093)	(896,036)
Payments to employees	(132,418)	(62,792)	(7,917)	(203,127)	(169,638)
Net cash provided by operating activities	<u>610,687</u>	<u>56,463</u>	<u>101,010</u>	<u>768,160</u>	<u>803,928</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(135,000)	(50,400)	-	(185,400)	(170,980)
Interest paid on capital debt	(79,646)	(44,775)	-	(124,421)	(140,048)
Purchases of capital assets	(316,672)	(73,264)	-	(389,936)	(507,207)
Net cash used by capital and related financing activities	<u>(531,318)</u>	<u>(135,528)</u>	<u>-</u>	<u>(666,846)</u>	<u>(785,324)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>54,011</u>	<u>17,013</u>	<u>1,155</u>	<u>72,179</u>	<u>67,005</u>
Net cash provided by investing activities	<u>54,011</u>	<u>17,013</u>	<u>1,155</u>	<u>72,179</u>	<u>67,005</u>
Net increase (decrease) in cash and cash equivalents	133,380	(62,052)	102,165	173,493	85,609
Cash and equivalents at beginning of year	<u>949,339</u>	<u>361,039</u>	<u>(19,259)</u>	<u>1,291,119</u>	<u>1,205,510</u>
Cash and equivalents at end of year	<u>\$ 1,082,719</u>	<u>\$ 298,987</u>	<u>\$ 82,906</u>	<u>\$ 1,464,612</u>	<u>\$ 1,291,119</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 441,401	\$ (56,463)	\$ 102,752	487,690	544,995
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization	185,751	98,837	-	284,588	270,642
Changes in assets & liabilities:					
Decrease (increase) in receivables	14,089	(1,331)	(805)	11,953	(13,201)
Increase (decrease) in accruals	(23,481)	17,689	(937)	(6,729)	6,636
Miscellaneous expense	(7,073)	(2,269)	-	(9,342)	(5,144)
Total adjustments	<u>169,286</u>	<u>112,926</u>	<u>(1,742)</u>	<u>280,470</u>	<u>258,933</u>
Net cash provided (used) by operating activities:	<u>\$ 610,687</u>	<u>\$ 56,463</u>	<u>\$ 101,010</u>	<u>\$ 768,160</u>	<u>\$ 803,928</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 1: Structure**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a Governing Body consisting of a Mayor and five Council Members, with the Mayor voting only to break a tie). The Mayor appoints the Planning Commission, Library Board, and other committees with the consent of the City Council.

The justice court is located in Hyde Park. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying their share monthly based on an agreed formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a Library Board set operational policies and recommend the budget when a dedicated property tax is used. The Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. The Friends write checks to give funds to the City for library use. The Thorne Endowment provides approximately \$70,000 per year to allow Hyde Park children to use the North Logan Library. Another \$10,000 per year is paid by donations to allow Hyde Park adults to also use the library.

Water, sewer, and storm water services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on square footage occupied. Parks, storm drain cleaning, and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow plowing.

A staff planner provides input to the Planning Commission and handles economic development.

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles accounting, utility billing, and clerical functions.

## Note 2: Summary of significant accounting policies

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30 November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which take precedence.

The financial statements of the City consist only of the funds of the City. The City established a Redevelopment Agency (RDA) pursuant to Utah Code and designated the Mayor and the City Council as the RDA board. No property taxes have been used to fund a project as of June 30, 2008. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting (i.e., revenues are recognized when they become measurable and available as net current assets; expenditures are recognized when the related fund liability is incurred). Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations which are financed and operated like a private business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB34 was implemented.

All fixed assets greater than \$3,000 are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems dedicated by developers).

All enterprise funds are accounted for on a cost of services, or "capital maintenance," measurement focus. This means that long-term assets and debts are included on their balance sheets.

Depreciation is calculated on a straight line basis. One-half year depreciation is taken in the year the asset is placed in service. No depreciation is calculated for the year the asset is disposed of. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are:

Sewer & Water Systems	50 years
Roads	20 years
Buildings & improvements	10 -50 years
Equipment	3-20 years

Annual budgets are adopted by the City Council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

During the fiscal year, purchase orders are booked as expenditures when issued. There were no purchase orders authorized but not invoiced at June 30, 2008. Also, purchase commitments exceeding \$1,000 for which no invoice was actually received before the cut-off date for accounts payable are accrued each month and at year end.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds type balance sheet includes reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds type balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$19,104,558
Accumulated depreciation	<u>(10,148,122)</u>
Total difference	<u>\$ 8,956,436</u>

Long-term liabilities:

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

Principal portion of bonds and leases	\$ (1,065,000)
Bond issue costs, net of amortization	21,981
Accrued interest payable	(1,549)
Deferred amount on refunding	(251,641)
Compensated absences	<u>(134,099)</u>
	<u>\$ (1,430,308)</u>

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

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

Capital outlay	\$ 845,934
Loss on disposal of fixed assets	(9,590)
Depreciation expense	<u>(740,794)</u>
Net difference as reported	<u>\$ 95,550</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$1,173,019
Repayment of capital lease principal	53,841
Change in accrued compensated absences	(15,924)
Bond proceeds	(1,065,000)
Accrued interest payable	(1,549)
Amortization of bond issuance costs	<u>21,981</u>
	<u>\$ 166,368</u>

**Note 3: Cash & investments**

Deposits and Investments

Deposits and investments for the City are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2008, \$120,471 of the City’s bank balances of \$314,019 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended June 30, 2008, the City had investments of \$2,546,781 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable

The City has accounts receivable as of June 30, 2008, as follows:

Garbage and Dispatch fee	\$	62,337	(net of \$3,367 allowance)
Water		78,964	(net of \$8,803 allowance)
Sewer		55,338	(net of \$4,316 allowance)
Stormwater		15,219	(net of \$94 allowance)
Property tax		850,719	
Court		87,349	(net of \$44,982 allowance)
Sales tax		154,436	
Energy Use tax		25,292	
Transient room tax		1,393	
Class C Road funds		<u>70,416</u>	
Total	\$	<u>1,401,463</u>	

Note 5: Utility users

As of June 30, 2008, the number of utility users were:

	Residential	Commercial
Water	1,965	86
Sewer	1,806	140
Garbage	2,082	127
Dispatch	2,299	211

Water rates:

\$1.57 per thousand gallons, plus:

Meter size	Fee
¾ or 1	7.11
1 ½	10.34
2	14.22
3	29.09
4	54.29
5	135.74

Sewer rates:

\$1.15 per thousand gallons winter water usage, plus:

Water meter size	Fee
¾ or 1	\$ 13.00
1 ½	17.88
2	24.38
3	48.75
4	89.38
5	221.00

Stormwater rates:

Residential & Commercial	\$ 3.50
Multi-family	2.00

Garbage rates:

Residential 90 gallon	\$ 14.40
Residential 60 gallon	12.15
Green Waste	4.00
Commercial	1.15 plus \$6.20 per cubic yard of container
Recycle can	3.00

Dispatch rates:

All	\$ 2.00
-----	---------

**Note 6: Insurance & bond coverage**

As of June 30, 2008, insurance and bond coverage's are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability	Travelers	\$1,000,000	7/1/08
Errors and omissions	Travelers	1,000,000	7/1/08
Law enforcement Liability	Travelers	1,000,000	7/1/08
Automobiles – liability	Travelers	1,000,000	7/1/08
Buildings & Contents	Travelers	9,918,800	7/1/08
Treasurer position bond	Kemper	40,000	2/1/09
Mayor & Treasurer	Western Surety	424,710	6/26/09

Bonds

Blanket employee bond	Allied Insurance	10,000	4/1/09
Treasurer position bond	Hartford	346,000	11/26/08

**Note 7: Overexpended budget**

The following departments within the General Fund over expended their budgets:

Legislative	2,342
Police department	6,210
Cemetery	3,263
Debt service	87

**Note 8: Long-term debt**

Long-term debt at June 30, 2008, consists of the following:

Water fund:	7/1/07	Principal Paid	6/30/08	Due in 1 yr
US Bank Trust; \$2,495,000 due in annual installments ranging from \$50,000 to \$780,000 per year plus interest ranging from 3.10% to 4.70%	1,845,000	135,000	<u>1,710,000</u>	140,000
Total water fund			<u>\$1,710,000</u>	
Sewer fund:				
GMAC; \$1,000,000 Due in monthly Installments of \$4,830 including interest at 5.00%	575,274	33,628	541,646	27,732
GMAC; \$560,000 Due in annual Installments of \$32,911 including interest at 5.00%	322,773	16,772	<u>306,001</u>	17,616
Total sewer fund			<u>\$847,647</u>	

General fund:

National City Commercial Capital;  
Fire Truck, \$566,535 due in  
Annual installments

Of \$56,653 including interest 53,841                      53,841                      0                      0

US Bank; road  
Construction,  
\$1,070,000 due in  
annual installments  
ranging from \$90,000  
to \$130,000 plus  
interest ranging from  
4.00% to 4.75%

130,000                      130,000                      0                      0

Total general fund

\$ 0

Library fund:

US Bank; library,  
\$2,000,000 due in  
annual installments  
ranging from \$75,000  
to \$680,000 plus  
interest ranging from  
4.85% to 5.00%

1,305,000                      1,305,000                      0                      0

US Bank; library,  
\$1,065,000 due in  
annual installments  
ranging from \$118,000  
to \$150,000 plus  
interest of 3.49%

0                      1,065,000                      118,000

Total Library fund

\$1,065,000

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

The annual requirements to amortize long-term debt outstanding as of June 30, 2008, are as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2009	\$ 303,348	\$ 155,390
2010	317,883	142,830
2011	329,507	129,720
2012	346,265	115,973
2013	359,166	101,170
2014	372,216	85,816
2015	389,424	69,921
2016	408,797	52,962
2017	272,344	37,870
2018	286,075	24,744
2019	79,998	10,955
2020	<u>157,624</u>	<u>5,485</u>
Totals	<u>\$ 3,622,647</u>	<u>\$ 932,836</u>

Advance Refunding- March 18, 2008

The City issued \$1,065,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$1,305,000 of general obligation bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$251,641. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

**Note 9: Retirement Systems**

Plan Description

The City contributes to the Local Government Contributory Retirement System, the Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with Social Security coverage. All of these are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems, which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing the Utah Retirement Systems, 540 E 200 S, Salt Lake City UT 84102 or by calling 1-800-365-8772.

Funding Policy

Rates	Paid by		
	Employee	Employer	
Local Gov't Contributory	6.00	7.61	
Local Gov't Noncontributory	0	11.62	
Public Safety Contributory	12.29	11.22	
Public Safety Noncontributory	0	22.61	
Firefighters	10.76	0	
<b>Contributions</b>			
	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
Local Gov't Contributory	8,551	9,234	8,617
Local Gov't Noncontributory	99,927	93,343	91,019
Public Safety Contributory	38,343	45,519	37,035
Public Safety Noncontributory	19,917	11,774	8,189
Firefighters	4,943	5,296	1,097

One employee previously retired under the Public Safety Contributory plan. The Police chief retired November 30, 2003, under the Public Safety Noncontributory plan but continues to work. The City pays 23.3% of their salary to a 401K plan. Payments for 2008 totaled \$39,515.

No contribution is made for covered part-time employees who do not qualify for other benefits.

**Note 10: Changes in Fixed Assets**

General fixed asset changes occurring for the year ended June 30, 2008, are as follows:

	<u>7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/08</u>
Land	\$2,099,912	\$ 86,603	\$	\$2,186,515
Water shares	58,169			58,169
Buildings	2,274,179	17,069		2,291,248
Library	344,414			344,414
Police	357,273	32,944	55,544	334,673
Fire	1,123,072	26,270	3,000	1,146,342
Streets	664,256	35,228	27,400	672,084
Parks	246,123	151,346	10,364	387,105
Facilities	55,066			55,066
Inspection	111,646	3,911	27,396	88,161
Administrative	6,529			6,529
Executive	42,866		19,995	22,871
Planner	9,855			9,855
Cemetery	43,623			43,623
Road System	<u>10,965,340</u>	<u>492,563</u>		<u>11,457,903</u>
Total assets	<u>18,402,323</u>	<u>845,934</u>	<u>143,699</u>	<u>19,104,558</u>
Accumulated depreciation	<u>(9,541,437)</u>	<u>(740,794)</u>	<u>(134,109)</u>	<u>(10,148,122)</u>
Net assets	<u>\$ 8,860,886</u>	<u>\$ 105,140</u>	<u>\$ 9,590</u>	<u>\$8,956,436</u>

Enterprise fund changes were as follows:

Water:

Land	\$ 310,301	\$	\$	\$ 310,301
Water shares	16,159			16,159
System	7,681,598	146,816		7,828,414
Buildings	2,042	123,536		125,578
Equipment	575,031	46,320	13,963	607,388
Accumulated depreciation	(2,813,999)	(183,816)	(13,963)	(2,983,852)
Net assets	<u>\$5,771,132</u>	<u>\$ 132,856</u>	<u>\$</u>	<u>\$5,903,988</u>

Sewer:

Land	\$ 850	\$	\$	\$ 850
System	4,687,439	23,290		4,710,729
Equipment	264,143	49,974		314,117
Accumulated depreciation	(2,055,215)	(98,837)		(2,154,052)
Net assets	<u>\$2,897,217</u>	<u>\$ (25,573)</u>	<u>\$</u>	<u>\$2,871,644</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 10,988
Public safety	150,893
Streets	500,843
Parks & recreation	77,874
Community development	<u>196</u>
	<u>\$740,794</u>

**Note 11: Segment Information for Enterprise Funds**

Net working capital for the enterprise funds is calculated as follows:

	Water	Sewer	Storm Water
Current Assets:			
Cash	\$546,626	\$ 40,803	\$ 82,906
Receivables	78,964	55,338	15,219
Current Liabilities:			
Accounts payable	(14,775)	(87,318)	(901)
Accrued interest	(3,240)	(7,650)	--
Current portion			
Long-term debt	(140,000)	(45,348)	--
Net Working Capital	<u>\$467,575</u>	<u>\$(44,175)</u>	<u>\$ 97,224</u>

**Note 12: Risk Management**

In addition to the insurance coverage in Note 6, workers compensation is carried through the Utah Local Government Trust. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 13: Compensated Absences**

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees are still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$134,099 in the General Fund. All vacation hours and all compensatory time hours would be paid on termination. Only 10% of sick hours would be paid. Sick hours excluded amounts to \$275,346. Based on past experience 20% of sick hours would be used in a year.

**Note 14: Memorandum Totals**

Total columns on the financial statements are captioned Amemorandum only@ to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SUPPLEMENTAL SECTION**

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**  
**With Comparative Totals for June 30, 2007**

	<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>	
		<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Restricted cash	\$ 434,057	\$ 434,057	\$ 59,403
Total assets	<u>\$ 434,057</u>	<u>\$ 434,057</u>	<u>\$ 59,403</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Capital projects funds	<u>434,057</u>	<u>434,057</u>	<u>59,403</u>
Total fund balances	<u>434,057</u>	<u>434,057</u>	<u>59,403</u>
Total liabilities & fund balances	<u>\$ 434,057</u>	<u>\$ 434,057</u>	<u>\$ 59,403</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**  
**With Comparative Totals for June 30, 2007**

	Capital Projects	Total Nonmajor Governmental 2008	2007
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Other	8,053	8,053	8,387
Total revenues	<u>8,053</u>	<u>8,053</u>	<u>8,387</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	63,460	63,460	39,907
Public safety	32,944	32,944	48,572
Streets	208,820	208,820	177,017
Parks and recreation	-	-	-
Total expenditures	<u>305,224</u>	<u>305,224</u>	<u>265,496</u>
Net change in fund balances	(297,171)	(297,171)	(257,109)
Transfers in (out)	671,825	671,825	289,500
Fund balances-beginning	<u>59,403</u>	<u>59,403</u>	<u>27,012</u>
Fund balances-ending	<u>\$ 434,057</u>	<u>\$ 434,057</u>	<u>\$ 59,403</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2008  
With Comparative Totals for June 30, 2007**

ASSETS	Storm water	Total Nonmajor Proprietary	
		2008	2007
Cash and cash equivalents	\$ 82,906	\$ 82,906	\$ -
Accounts receivable	15,219	15,219	14,414
Total current assets	<u>\$ 98,125</u>	<u>\$ 98,125</u>	<u>\$ 14,414</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
Liabilities:			
Cash allocation	\$ -	\$ -	\$ 19,259
Accounts payable	901	901	1,838
Total current liabilities	<u>901</u>	<u>901</u>	<u>21,097</u>
<b>NET ASSETS</b>			
Unrestricted:			
Storm water	<u>97,224</u>	<u>97,224</u>	<u>(6,683)</u>
Total net assets	<u>97,224</u>	<u>97,224</u>	<u>(6,683)</u>
Total liabilities & net assets	<u>\$ 98,125</u>	<u>\$ 98,125</u>	<u>\$ 14,414</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30, 2008  
With Comparative Totals for June 30, 2007**

	<u>Storm Water</u>	<u>Total Nonmajor Proprietary</u>	
		2008	2007
<b>OPERATING REVENUES</b>			
Charges for services	\$ 165,172	\$ 165,172	\$ 120,405
Other	-	-	-
	<u>165,172</u>	<u>165,172</u>	<u>120,405</u>
Total operating revenues	165,172	165,172	120,405
<b>OPERATING EXPENSES</b>			
Wages and benefits	7,917	7,917	7,492
Professional fees	20,823	20,823	7,255
Repairs and maintenance	2,648	2,648	5,935
Other	22,653	22,653	43,551
Facilities	8,379	8,379	8,467
	<u>62,420</u>	<u>62,420</u>	<u>72,700</u>
Total operating expenses	62,420	62,420	72,700
Operating loss	102,752	102,752	47,705
<b>NON-OPERATING EXPENSES</b>			
Interest income	1,155	1,155	-
Interest expense	-	-	(2,321)
	<u>1,155</u>	<u>1,155</u>	<u>(2,321)</u>
Total non-operating expenses	1,155	1,155	(2,321)
Change in net assets	103,907	103,907	45,384
Net assets-beginning	<u>(6,683)</u>	<u>(6,683)</u>	<u>(52,067)</u>
Net assets-ending	<u>\$ 97,224</u>	<u>\$ 97,224</u>	<u>\$ (6,683)</u>

The notes to the financial statements are an integral part of this statement.

NORTH LOGAN CITY  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008  
With Comparative Totals for June 30, 2007

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 165,977	\$ 165,977	\$ 105,991
Payments to suppliers	(57,050)	(57,050)	(63,370)
Payments to employees	(7,917)	(7,917)	(7,492)
Net cash used by operating activities	<u>101,010</u>	<u>101,010</u>	<u>35,129</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on capital debt	-	-	(2,321)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(2,321)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>1,155</u>	<u>1,155</u>	<u>-</u>
Net cash provided by investing activities	<u>1,155</u>	<u>1,155</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	102,165	102,165	32,808
Cash and equivalents at beginning of year	(19,259)	(19,259)	(52,067)
Cash and equivalents at end of year	<u>\$ 82,906</u>	<u>\$ 82,906</u>	<u>\$ (19,259)</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 102,752	102,752	47,705
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation/amortization	-	-	-
Changes in assets & liabilities:			
Decrease (increase) in receivables	(805)	(805)	(14,414)
Increase (decrease) in accruals	(937)	(937)	1,838
Miscellaneous expense	-	-	-
Total adjustments	<u>(1,742)</u>	<u>(1,742)</u>	<u>(12,576)</u>
Net cash provided (used) by operating activities:	<u>\$ 101,010</u>	<u>\$ 101,010</u>	<u>\$ 35,129</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NORTH LOGAN  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF IMPACT FEES**

	2003	2004	2005	2006	2007	2008
<b>Beginning Balance:</b>						
Impact Fees - Road	\$ 33	\$ 28,158	\$ 137,420	\$ 2,262	\$ 119,803	\$ 124,553
Impact Fees - Parks	19	16,122	70,301	69,095	153,511	52,873
Impact Fees - Water	-	151,839	360,670	-	13,323	147,515
Impact Fees - Sewer	-	38,707	90,335	104,895	-	43,803
<b>Additions:</b>						
Impact Fees - Road	58,485	125,292	143,666	178,389	127,979	76,452
Impact Fees - Parks	39,984	58,310	113,589	111,804	189,132	88,308
Impact Fees - Water	150,336	212,755	145,882	241,187	226,586	253,932
Impact Fees - Sewer	38,324	67,478	59,086	102,730	102,097	88,846
<b>Interest:</b>						
Impact Fees - Road	142	2,051	5,189	2,376	6,429	6,787
Impact Fees - Parks	365	916	3,761	3,267	8,544	3,553
Impact Fees - Water	1,503	-	5,745	93	953	11,893
Impact Fees - Sewer	383	-	3,171	768	1,213	4,793
<b>Deletions:</b>						
Impact Fees - Road	(30,502)	(18,081)	(284,013)	(63,224)	(129,658)	(122,788)
Impact Fees - Parks	(24,246)	(5,047)	(118,556)	(30,655)	(298,314)	(52,827)
Impact Fees - Water	-	(3,924)	(512,297)	(227,957)	(93,347)	(146,817)
Impact Fees - Sewer	-	(15,850)	(47,697)	(208,393)	(59,507)	(23,290)
<b>Ending Balance:</b>						
Impact Fees - Road	28,158	137,420	2,262	119,803	124,553	85,004
Impact Fees - Parks	16,122	70,301	69,095	153,511	52,873	91,907
Impact Fees - Water	151,839	360,670	-	13,323	147,515	266,523
Impact Fees - Sewer	38,707	90,335	104,895	-	43,803	114,152
	<u>\$ 234,826</u>	<u>\$ 658,726</u>	<u>\$ 176,252</u>	<u>\$ 286,637</u>	<u>\$ 368,744</u>	<u>\$ 557,586</u>

Impact fees have been used for the following capital projects: new water lines, new road improvements, and sewer system. Future expenses for impact fees include new parks, new road improvements and bridges, and water system improvements.

The notes to the financial statements are an integral part of this statement.



Peterson  
Allred  
Jackson

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Business Consultants

**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**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City) as of and for the year ended June 30, 2008, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated October 6, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider finding 2008-1 in the accompanying management letter to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of North Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of North Logan in a separate letter dated October 6, 2008.

The City of North Logan's responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Peterson Alfred Jackson*

October 6, 2008



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

**INDEPENDENT AUDITOR'S REPORT ON  
STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), for the year ended June 30, 2008, and have issued our report thereon dated October 6, 2008. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2008. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of North Logan's financial statements.)

Public Library Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards
	State Retirement

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.

*Peterson Alfred Jackson*

October 6, 2008



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

October 6, 2008

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

Dear Mayor Watkins:

In planning and performing our audit of the financial statements of the North Logan City, UT (the City) as of and for the year ending June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider finding 2008-1 listed below to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of North Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described below is a material weakness.

## CURRENT YEAR FINDINGS

### **Finding 2008-1:** *Fixed Asset Tracking/Depreciation (significant deficiency)*

During the testing of fixed assets we noted that the schedule that tracks depreciation had many errors in calculating depreciation. Also, some of the additions and all of the deletions were not on the original fixed asset schedule.

### **Recommendation:**

We recommend reviewing the current procedures for tracking and maintaining fixed assets and calculating depreciation.

### **Management response:**

Management agrees with recommendation and plans to review current procedures for tracking and maintaining fixed assets and calculating depreciation. Once the review is complete any revised procedures will be reviewed with auditor.

### **Finding 2008-2:** *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that four general fund department's actual expenditures exceeded the appropriations as well as the Library fund budget in total exceeded appropriations.

### **Recommendation:**

We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

### **Management response:**

The following information is provided regarding the four funds for which expenditures exceeded budget:

**Legislative:** Actual expenditures exceeded the final budget by \$2,342. This was due to about \$1,700 in professional services expenditures (attorney fees) being paid late in June. The budget review completed on 25 June did not anticipate this expense. In the future, professional services should be reviewed more closely at year end.

**Police Department:** Actual expenditures exceeded the budget by about \$6,200. Evaluating the final, revision 4, budget versus the revision 3 budget shows that the city actually at that time reduced the projected expenditures for Employee Benefits about \$3,000 and also the expected Crossing Guard wages also about \$3,000. The budget for these two line items would have been right on target if left unchanged from the revision 3 budget. This was an error in evaluating these two line items and should be a one-time event. Management will take more care in revising wage and benefit data at year end.

**Cemetery:** Actual expenditures exceeded the budget by about \$3,200. The error here was made by not including in the final budget revision some known expenses for professional services for survey work done to lay out the new cemetery plots. This error should also be a one-time event. Again management will take more care to ensure that professional services are reviewed more closely at year end.

**Debt Service:** Actual expenditures exceeded budget by \$87. This error was made by budgeting \$87 less for the road bond interest than what actually was to be paid. Management will take more care to ensure that budgeted debt service matches bond payment schedules.

## PRIOR YEAR FINDINGS

### **Finding 2007-1:** *Audit Adjustments (control deficiency)*

While conducting the audit we made several audit adjustments. Most significant of these adjustments were to record a general fund capital disposition, adjust restricted equity, and reclassify an outstanding deposit. Management did not originally identify these adjustments but the City does have a system in place to record adjustments on a regular basis.

### **Recommendation:**

Yearly audit adjustments are typically repeated each year. Consequently, we recommend that prior to audit fieldwork you review and adjust for such transactions to ensure the current year organizational financial statements reflect the correct year end balances.

### **Management response:**

Management has a budget system somewhat separate from the city's official accounting records. That system can be easily used to review organizational financial statements just prior to the auditor's work. In the future such a review will be accomplished each year prior to the annual audit to provide a crosscheck between the budget system and the organizational financial statements.

### **Status:**

The City's fixed asset depreciation system required additional entries to be booked for fiscal year 2008. See current year finding.

### **Finding 2007-2:** *Unreserved fund balance (State Compliance)*

The State requires that cities must maintain an unreserved general fund balance of at least 5% and not to exceed 18%. The City had an unreserved general fund balance of 19% as of June 30, 2008.

### **Recommendation:**

Establish a plan to reduce the unreserved general fund balance by approximately \$62,000.

### **Management response:**

The fiscal year 2008 budget currently established shows a projected unrestricted fund balance of about 17% with plans to reduce that after the first of the calendar year. Great care has been taken to avoid going below the allowed fund balance range, especially by being conservative in projected revenue. The majority of the unexpected increase in the unreserved fund balance at the end of the fiscal year came from higher revenues than anticipated.

### **Status:**

The City had a general unreserved fund balance of 16% at the end of the year which was within the State requirements.

### **Finding 2007-3:** *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that three department's actual expenditures exceeded the appropriations.

### **Recommendation:**

We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

**Management response:**

There were three departments overspent during FY2008 and all of those, in management's opinion, were very insignificant in their impact on the city.

The first over budget area was trash collection payments to Logan City. The over-payment was about \$3,600 out of a total budget of \$600,000 (just over half of 1%). Near the end of the fiscal year is a common time for increased numbers of new homes being built and hence new trash collection services are often underestimated. Management will attempt to more accurately estimate the last month's trash collection payments each year.

The second over-budget department was Cemetery where about \$700 worth of materials for a new sprinkler system was ordered near the end of June rather than after the first of July. Management has advised the responsible department head to take more care in ordering materials near the end of the fiscal year and make sure such orders are within budget.

The third over-budget item resulted from a miscalculation on a road bond payment. The budgeted figure was in error by less than one-tenth of 1%.

Management will continue to monitor expenditures closely, especially near the end of the fiscal year.

**Status:**

Four individual departments in the general fund and the library fund in total were out of compliance at the end of the year. See current year finding.

**Finding 2007-4:** *Deficit fund balance (State Compliance)*

The City had a deficit fund balance in the stormwater fund as of 6/30/07.

**Recommendation:**

Develop a plan to eliminate the deficit fund balance by bringing in excess revenues over expenditures by approximately \$7,000 during the 2008-2008 fiscal year.

**Management response:**

This relatively new fund was anticipated to have a positive fund balance by the end of fiscal year 2008 and the current FY2008 budget shows that it does that.

**Status:**

The City eliminated the deficit fund balance by the end of fiscal year 2008.

**Finding 2007-5:** *Cash deposits (State Compliance)*

The City did not deposit funds received within three days in one of our sampled test items.

**Recommendation:**

Continue striving to deposit funds within the required three day limit.

**Management response:**

The city staff's memory is that there was one day when a deposit got to the bank after 2:00 p.m. and would have therefore been credited the next day. It is very rare that deposits are not made within 24 hours. Management will continue to monitor this requirement but anticipates that this was an isolated occurrence not requiring any specific change in procedures.

**Status:**

Items tested during the current year were in compliance.

**Finding 2007-6: Quarterly Building permit reports (State Compliance)**

The City did not remit one of the quarterly building permit reports within 30 days of the end of the quarter.

**Recommendation:**

Remit all reports within the required time frame.

**Management response:**

The one late report was due to a changeover in personnel. Management will continue to monitor this requirement but does not anticipate the need to make any specific change in procedures.

**Status:**

All reports were submitted timely in fiscal year 2007-2008.

**Finding 2007-7: Documentation (other matters)**

The City could not find documentation to support a deposit made by a customer for utility services.

**Recommendation:**

Maintain and file all documentation for utility customers in an orderly manner.

**Management response:**

Again the loss of a customer sign-in form was most likely due to a change in personnel. The City's morning secretary/receptionist position changed three times in a two month period and some information and training did not pass well from one person to the next and evidently there were some things that "fell through the crack". Management will continue to monitor this requirement but does not anticipate the need to make any specific change in procedures.

**Status:**

No instances of non compliance were noted in this area.

In conclusion, we wish to recognize Jeff Jorgensen and Tom Northenor for the excellent services provided to North Logan City. They have been most cooperative in assisting us in the performance of the audit for the 2008 fiscal year. The performance of the North Logan City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON



Diana Cammell, CPA