ALLRED JACKSON

AUDIT · TAXES · ADVISORY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

NORTH LOGAN CITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2009

With Comparative Totals
For June 30, 2008

NORTH LOGAN CITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2009

With Comparative Totals
For June 30, 2008

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INTRODUCTORY SECTION

CARY WATKINS, MAYOR

CITY OF NORTH LOGAN
2076 NORTH 1200 EAST
NORTH LOGAN, UTAH 84341
(435) 752-1310
FAX (435) 752-1357

JEFFREY M. JORGENSEN, P.E.
CITY ADMINISTRATOR

October 28, 2009

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, 2009, 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, 2009, 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.

CITY COUNCIL: AL MOSER, ELAINE NELSON, STEVE SOULIER, LLOYD BERENTZEN, KEVIN DUSTIN

North Logan City's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2009, 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, 2009, 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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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, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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, 2009, 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 28, 2009 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.

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 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.

Alfred Jackson

October 28, 2009

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, 2009.

FINANCIAL HIGHLIGHTS

- The total net assets of North Logan City increased 1.3% to $16,975,550.
- The total net assets of $16,975,550 are made up of $14,464,630 in capital assets net of related debt and $2,510,920 in other net assets.
- In the General Fund, revenues were more than expenditures by $104,023 before other financing sources and uses.
- Total long-term liabilities of the City were reduced by $316,497.
- Business-type activities' total net assets decreased $15,010.

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 $16,975,550.

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	
	2009	2008	2009	2008
Current and other assets	$ 2,512,126	$ 2,673,763	$ 1,778,940	$ 1,633,475
Capital assets	9,086,603	8,956,436	8,693,943	8,775,632
Total assets	11,598,729	11,630,199	10,472,883	10,409,107
Long-term debt outstanding	947,000	1,065,000	2,368,916	2,557,647
Other liabilities	1,398,745	1,548,909	381,401	113,884
Total liabilities	2,345,745	2,613,909	2,750,317	2,671,531
Net assets:				
Invested in capital assets, net of debt	8,139,603	7,891,436	6,325,027	6,217,985
Restricted	195,544	199,504	769,214	794,278
Unrestricted	917,837	925,350	628,325	725,313
Total net assets	$ 9,252,984	$ 9,016,290	$ 7,722,566	$ 7,737,576

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
Revenues:	2009	2008	2009	2008
Program revenues:				
Charges for services	$ 1,742,567	$ 1,457,833	$ 1,696,462	$ 1,651,555
Dedicated property tax	413,469	381,131	32,911	32,911
Operating grants & contributions	35,954	158,330	-	-
Capital grants & contributions	341,031	593,710	112,504	342,778
General revenues:				
Property taxes	598,880	491,176	-	-
Other taxes	2,107,006	2,261,409	-	-
Investment income	25,479	55,246	31,270	72,179
Other revenues	38,868	32,125	-	-
Total revenues	5,303,254	5,430,960	1,873,147	2,099,423
Expenses:				
General government	675,964	690,716	-	-
Public Safety	1,714,332	1,622,951	-	-
Streets	909,476	1,013,080	-	-
Sanitation	668,864	651,183	-	-
Parks & recreation	989,380	930,560	-	-
Community development	108,544	179,934	-	-
Water	-	-	899,484	798,981
Sewer	-	-	919,833	779,005
Storm water	-	-	68,840	62,420
Total expenses	5,066,560	5,088,424	1,888,157	1,640,406
Increase (decrease) in net assets	236,694	342,536	(15,010)	459,017
Net assets, beginning	9,016,290	8,673,754	7,737,576	7,278,559
Net assets, ending	$ 9,252,984	$ 9,016,290	$ 7,722,566	$ 7,737,576

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, 2009, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of $1,443,701. This represents a decrease of $46,461 (3%) 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 57% of total general fund revenues. The largest element is sales taxes, which represent 77% of total tax revenues and 44% of total General Fund revenues. This compares with 46% in the prior fiscal year ended June 30, 2008.

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 $188,731 due to bond and lease principal payments.

Significant changes in business-type activities include a decrease in long-term debt of $118,000 due to bond principal payments.

GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was $4,702,522, which was increased 9% to $5,131,154 to fund additional road and cemetery improvements and cover increases in sanitation costs.

The Library Fund original budget for expenditures was $540,337, which was increased 7.8% to $582,199 to cover salary and benefits for staff.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2009, amounts to $17,780,546. 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 .3% 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:

- $378,333 for construction of roads and sidewalks.
- $127,427 for water system improvements.
- $132,828 for park improvements.
- $98,886 for replacement of fire vehicles.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	$ 2,254,195	$ 327,310
Buildings and equipment	5,722,477	1,140,380
Systems	11,836,236	12,666,570
Less: Accumulated depreciation	(10,726,305)	(5,440,317)
Total	$ 9,086,603	$ 8,693,943

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

Long-term debt – At June 30, 2009, the City had total bonded debt outstanding of $3,315,916. Of this amount $2,805,390 is considered to be general obligation debt and backed by the full faith and credit of the City. The remainder of $510,526 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds- water, sewer, library, and roads	$ 947,000	$ 1,858,390
Revenue bonds		510,526
Total outstanding debt	$ 947,000	$ 2,368,916

The City's bonded debt decreased by $306,731 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, 2009
With Comparative Totals for June 30, 2008

	Governmental Activities	Business-type Activities	Memorandum Totals 2009	Memorandum Totals 2008
ASSETS				
Current Assets:				
Cash & Cash equivalents	$ 713,856	$ 832,659	$ 1,546,515	$ 1,401,863
Account receivable, net	1,282,935	159,660	1,442,595	1,401,463
Prepaid expense	15,514	-	15,514	34,751
Total current assets	2,012,305	992,319	3,004,624	2,838,077
Noncurrent assets:				
Deferred issue cost	19,233	17,407	36,640	41,323
Restricted assets:				
Cash	480,588	769,214	1,249,802	1,427,838
Capital assets:				
Land and water shares	2,254,195	327,310	2,581,505	2,571,994
Distribution and collection systems	11,836,236	12,666,570	24,502,806	23,997,046
Buildings and equipment	5,722,477	1,140,380	6,862,857	6,449,054
Less: Accumulated Depreciation	(10,726,305)	(5,440,317)	(16,166,622)	(15,286,026)
Total noncurrent assets	9,586,424	9,480,564	19,066,988	19,201,229
Total assets	11,598,729	10,472,883	22,071,612	22,039,306
LIABILITIES				
Current liabilities:				
Cash allocation	-	259,115	259,115	-
Accounts payable	107,331	112,081	219,412	256,940
Accrued expense	79,476	-	79,476	185,601
Deposits	9,727	-	9,727	11,748
Accrued interest payable	1,377	10,205	11,582	12,439
Bonds payable within one year	122,000	195,883	317,883	303,348
Total current liabilities	319,911	577,284	897,195	770,076
Noncurrent liabilities:				
Bonds payable	825,000	2,173,033	2,998,033	3,319,299
Deferred amount on refunding	220,186	-	220,186	251,641
Accrued compensated absences	127,990	-	127,990	134,099
Deferred revenue	852,658	-	852,658	810,325
Total noncurrent liabilities	2,025,834	2,173,033	4,198,867	4,515,364
Total liabilities	2,345,745	2,750,317	5,096,062	5,285,440
NET ASSETS				
Invested in capital assets, net of related debt	8,139,603	6,325,027	14,464,630	14,109,421
Restricted for:				
Debt service	-	394,154	394,154	413,603
Impact fees	114,057	375,060	489,117	557,586
Library debt service	-	-	-	1,270
Equestrian Park	197	-	197	1,163
Little League	4,220	-	4,220	4,166
State liquor funds	18,716	-	18,716	15,994
Junior Jazz	404	-	404	-
Cemetery	57,950	-	57,950	-
Unrestricted	917,837	628,325	1,546,162	1,650,663
Total Net Assets	$ 9,252,984	$ 7,722,566	$ 16,975,550	$ 16,753,866

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, 2009
With Comparative Totals for June 30, 2008

		Program Revenues						Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants Grants & Contributions	Net Governmental Activities	Business Type Activities	2009	2008
Governmental activities:									
General government	$ 675,964	$ 179,861	$ -	$ -	$ -	$ (496,103)	$ -	$ (496,103)	$ (503,588)
Public Safety	1,714,332	484,429	-	20,989	7,118	(1,201,796)	-	(1,201,796)	(997,147)
Streets	909,476	-	-	-	277,968	(631,508)	-	(631,508)	(573,050)
Sanitation	668,864	695,511	-	-	-	26,647	-	26,647	15,452
Parks and recreation	989,380	382,766	413,469	14,965	55,945	(122,235)	-	(122,235)	(259,153)
Community development	108,544	-	-	-	-	(108,544)	-	(108,544)	(179,934)
Total governmental activities	5,066,560	1,742,567	413,469	35,954	341,031	(2,533,539)	-	(2,533,539)	(2,497,420)
Business-type activities:									
Water	899,484	930,614	-	-	83,182	-	114,312	114,312	354,682
Sewer	919,833	598,052	32,911	-	29,322	-	(259,548)	(259,548)	(70,596)
Storm water	68,840	167,796	-	-	-	-	98,956	98,956	102,752
Total business-type activities	1,888,157	1,696,462	32,911	-	112,504	-	(46,280)	(46,280)	386,838
General Revenues:									
Taxes:									
Property taxes levied for general purposes						598,880	-	598,880	491,176
Franchise taxes						14,119	-	14,119	16,948
General sales taxes & highway sales taxes						2,092,887	-	2,092,887	2,244,461
Business licenses						40,408	-	40,408	27,314
Gain (loss) on sale of assets						(1,540)	-	(1,540)	4,811
Investment income						25,479	31,270	56,749	127,425
Total general revenues						2,770,233	31,270	2,801,503	2,912,135
Change in net assets						236,694	(15,010)	221,684	801,553
Net assets - beginning						9,016,290	7,737,576	16,753,866	15,952,313
Net assets - ending						$ 9,252,984	$ 7,722,566	$ 16,975,550	$ 16,753,866

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

NORTH LOGAN CITY
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2009
With Comparative Totals for June 30, 2008

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds 2009	2008
ASSETS					
Cash & cash equivalents	$ 520,566	$193,290	$ -	$ 713,856	$ 731,528
Accounts receivable, net	1,282,935	-	-	1,282,935	1,251,942
Prepaid expense	15,514	-	-	15,514	34,751
Restricted cash	195,544	-	285,044	480,588	633,561
Total assets	$ 2,014,559	$193,290	$ 285,044	$ 2,492,893	$ 2,651,782
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 49,636	$ 57,695	$ -	$ 107,331	$ 153,946
Accrued expenses	75,566	3,910	-	79,476	185,601
Deposits	9,727	-	-	9,727	11,748
Deferred revenue	852,658	-	-	852,658	810,325
Total liabilities	987,587	61,605	-	1,049,192	1,161,620
Fund Balance:					
Reserved for:					
Park impact	74,772	-	-	74,772	91,907
Road impact	39,285	-	-	39,285	85,004
Library debt service	-	-	-	-	1,270
Equestrian Park	197	-	-	197	1,163
Little League	4,220	-	-	4,220	4,166
State liquor funds	18,716	-	-	18,716	15,994
Cemetery	57,950	-	-	57,950	-
Junior Jazz	404	-	-	404	-
Unreserved:					
General fund	831,428	-	-	831,428	724,700
Special revenue funds	-	131,685	-	131,685	131,901
Capital projects funds	-	-	285,044	285,044	434,057
Total fund balances	1,026,972	131,685	285,044	1,443,701	1,490,162
Total liabilities and fund balance	$ 2,014,559	$193,290	$ 285,044		
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 $19,812,908 and $19,104,558, respectively and the accumulated depreciation is $10,726,305 and $10,148,122, respectively.				9,086,603	8,956,436
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.				(1,277,320)	(1,430,308)
Total net assets-governmental activities				$ 9,252,984	$ 9,016,290

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, 2009
With Comparative Totals for June 30, 2008

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds 2009	2008
Revenues:					
Taxes	$ 2,705,886	$ 413,469	$ -	$ 3,119,355	$ 3,133,716
Licenses and permits	126,177	-	-	126,177	269,139
Intergovernmental revenue	362,020	13,465	-	375,485	476,411
Charges for services	1,298,867	-	-	1,298,867	1,175,807
Fines	190,474	9,673	-	200,147	194,244
Other	42,545	134,783	7,434	184,762	176,832
Total revenues	4,725,969	571,390	7,434	5,304,793	5,426,149
Expenditures:					
Current operations:					
General government	659,595	-	46,723	706,318	667,715
Public safety	1,670,725	-	50,304	1,721,029	1,585,113
Streets	872,616	-	59,420	932,036	1,033,766
Sanitation	668,864	-	-	668,864	651,183
Parks and recreation	641,602	417,707	-	1,059,309	777,729
Community development	108,544	-	-	108,544	179,738
Debt service:					
Principal	-	118,000	-	118,000	130,000
Interest	-	37,169	-	37,169	72,707
Total expenditures	4,621,946	572,876	156,447	5,351,269	5,097,951
Excess (deficiency) of revenues over expenditures	104,023	(1,486)	(149,013)	(46,476)	328,198
Other financing sources (uses):					
Sale of capital assets	15	-	-	15	14,401
Bond proceeds	-	-	-	-	1,065,000
Bond issuance costs	-	-	-	-	(21,981)
Bond refunding	-	-	-	-	(1,305,000)
Transfers in (out)	-	-	-	-	-
Total other financing sources	15	-	-	15	(247,580)
Net change in fund balances	104,038	(1,486)	(149,013)	(46,461)	80,618
Fund balances, beginning of year	922,934	133,171	434,057	1,490,162	1,409,544
Fund balances, end of year	$ 1,026,972	$ 131,685	$ 285,044	$ 1,443,701	$ 1,490,162

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, 2009

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

Net change in fund balances-total governmental funds		$ (46,461)
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	824,091	
Loss on disposal of assets	(1,555)	
Depreciation expense	(692,370)	130,166
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 if 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	118,000	
Change in accrued interest payable	172	
Change in accrued compensated absences	6,109	
Amortization of bond issuance costs/refunding	28,708	152,989
Change in net assets of governmental activities		$ 236,694

NORTH LOGAN CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	$ 378,180	$ 445,007	$ 474,993	$ 29,986
Prior years' taxes-delinquent	15,856	31,523	32,317	794
General sales & use taxes	1,993,200	2,093,000	2,092,887	(113)
Franchise taxes	15,375	15,375	14,119	(1,256)
Fee-in-lieu of property taxes	116,908	92,000	91,570	(430)
Total taxes	2,519,519	2,676,905	2,705,886	28,981
Licenses & permits:				
Business licenses & permits	18,000	38,672	40,408	1,736
Building structures & equipment	200,000	75,963	78,641	2,678
Animal licenses	6,300	7,015	7,128	113
Total licenses & permits	224,300	121,650	126,177	4,527
Intergovernmental revenues:				
Public safety	7,000	11,673	76,427	64,754
State and other governmental grants	82,145	194,131	7,625	(186,506)
Class "C" road fund allotment	363,000	286,578	277,968	(8,610)
Total intergovernmental revenues	452,145	492,382	362,020	(130,362)
Charges for services:				
Zoning & subdivision fees	233,000	69,804	68,032	(1,772)
Sale of maps & publications	100	100	-	(100)
Public safety	285,698	293,476	293,955	479
Refuse collection charges	685,000	691,000	695,511	4,511
Cemetery fees	-	210,000	225,679	15,679
Parks and public property	11,100	16,810	15,690	(1,120)
Total charges for services	1,214,898	1,281,190	1,298,867	17,677
Fines & forfeitures:				
Fines	206,500	198,500	188,887	(9,613)
Forfeitures	-	-	1,587	1,587
Total fines & forfeitures	206,500	198,500	190,474	(8,026)
Miscellaneous revenue:				
Interest earnings	29,420	16,150	14,985	(1,165)
Rents & concessions	5,000	-	26,060	26,060
Sale of materials & supplies	9,000	34,012	15	(33,997)
Total Miscellaneous revenue	43,420	50,162	41,060	(9,102)
Contributions:				
Contribution from private sources	-	4,400	1,500	(2,900)
Total contributions	-	4,400	1,500	(2,900)
Total Revenues	$ 4,660,782	$ 4,825,189	$ 4,725,984	$ (99,205)

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, 2009

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL FUND EXPENDITURES				
General government:				
Legislative	$ 82,746	$ 88,245	$ 83,133	$ 5,112
Judicial	158,927	170,850	171,437	(587)
Executive	95,578	95,689	90,107	5,582
Administrative	149,354	152,007	131,532	20,475
Non-departmental	154,240	166,666	177,429	(10,763)
Planning & zoning	14,053	10,053	5,957	4,096
Total general government	654,898	683,510	659,595	23,915
Public Safety:				
Police department	895,085	917,055	875,817	41,238
Fire department	492,298	506,503	470,657	35,846
Protective inspection	307,784	271,968	267,368	4,600
Animal control	56,331	60,192	56,883	3,309
Total Public Safety	1,751,498	1,755,718	1,670,725	84,993
Streets & public improvements:				
Streets	705,768	941,162	872,616	68,546
Sanitation	651,990	750,000	668,864	81,136
Total streets & improvements	1,357,758	1,691,162	1,541,480	149,682
Parks, Recreation & Public Property:				
Park & park areas	462,655	523,201	420,310	102,891
Recreation & culture	46,713	53,480	51,801	1,679
Cemetery	21,000	180,503	169,491	11,012
Total parks, recreation & public property	530,368	757,184	641,602	115,582
Community & economic development:				
Community planning	127,500	126,580	108,544	18,036
Transfers & other uses:				
Transfer to other funds	280,500	117,000	-	117,000
Total transfers & other uses	280,500	117,000	-	117,000
TOTAL EXPENDITURES	4,702,522	5,131,154	4,621,946	509,208
Net change in fund balance	(41,740)	(305,965)	104,038	410,003
Fund balance at beginning of year	922,934	922,934	922,934	-
Fund balance at end of year	$ 881,194	$ 616,969	$ 1,026,972	$ 410,003

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, 2009

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
LIBRARY FUND REVENUES				
Dedicated property taxes	$ 411,206	$ 410,324	$ 413,469	$ 3,145
Intergovernmental revenue	4,000	21,075	13,465	(7,610)
Fines	9,360	9,360	9,673	313
Other	109,500	133,700	134,783	1,083
Total Revenues	534,066	574,459	571,390	(3,069)
LIBRARY FUND EXPENDITURES				
General operations	383,062	427,030	417,707	9,323
Debt service principal	100,000	118,000	118,000	-
Debt service interest	57,275	37,169	37,169	-
Total Expenditures	540,337	582,199	572,876	9,323
Net change in fund balance	(6,271)	(7,740)	(1,486)	6,254
Fund balance at beginning of year	133,171	133,171	133,171	-
Fund balance at end of year	$ 126,900	$ 125,431	$ 131,685	$ 6,254

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

NORTH LOGAN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009
With Comparative Totals for June 30, 2008

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS 2009	MEMORANDUM TOTALS 2008
ASSETS					
Current assets:					
Cash & cash equivalents	$ 642,166	$ -	$ 190,493	$ 832,659	$ 670,335
Accounts receivable, net	88,912	55,760	14,988	159,660	149,521
Total current assets	731,078	55,760	205,481	992,319	819,856
Noncurrent assets:					
Deferred issue cost	17,407	-	-	17,407	19,342
Restricted cash	475,430	293,784	-	769,214	794,277
Capital assets					
Land & water shares	326,460	850	-	327,310	327,310
Distribution and collection systems	7,955,841	4,710,729	-	12,666,570	12,539,143
Buildings and equipment	750,723	389,657	-	1,140,380	1,047,083
Less accumulated depreciation	(3,179,849)	(2,260,468)	-	(5,440,317)	(5,137,904)
Total noncurrent assets	6,346,012	3,134,552	-	9,480,564	9,589,251
TOTAL ASSETS	7,077,090	3,190,312	205,481	10,472,883	10,409,107
LIABILITIES					
Current liabilities:					
Cash allocation	-	259,115	-	259,115	-
Accounts payable	7,793	97,394	6,894	112,081	102,994
Accrued interest payable	2,995	7,210	-	10,205	10,890
Bonds payable - due within a year	145,000	50,883	-	195,883	185,348
Total current liabilities	155,788	414,602	6,894	577,284	299,232
Noncurrent liabilities:					
Bonds payable - due in more than one year	1,425,000	748,033	-	2,173,033	2,372,299
Total noncurrent liabilities	1,425,000	748,033	-	2,173,033	2,372,299
Total liabilities	1,580,788	1,162,635	6,894	2,750,317	2,671,531
NET ASSETS					
Invested in capital assets, net of related debt	4,283,175	2,041,852	-	6,325,027	6,217,985
Restricted for debt service	247,113	147,041	-	394,154	413,603
Restricted for impact fees	228,317	146,743	-	375,060	380,675
Unrestricted	737,697	(307,959)	198,587	628,325	725,313
Total net assets	$ 5,496,302	$ 2,027,677	$ 198,587	$ 7,722,566	$ 7,737,576

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, 2009
With Comparative Totals for June 30, 2008

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS 2009	MEMORANDUM TOTALS 2008
OPERATING REVENUES:					
Charges for services	$ 928,023	$ 598,052	$ 167,796	$ 1,693,871	$ 1,647,790
Impact fees	83,182	29,322	-	112,504	342,778
Other	2,591	-	-	2,591	3,765
Total operating revenues	1,013,796	627,374	167,796	1,808,966	1,994,333
OPERATING EXPENSES					
Wages and benefits	177,050	75,282	4,491	256,823	203,127
Professional fees	5,966	594	4,577	11,137	60,446
Disposal and treatment	-	621,022	-	621,022	496,358
Utilities	95,684	-	-	95,684	92,052
Repairs and maintenance	198,486	11,788	36,015	246,289	155,392
Other	92,866	49,849	14,956	157,671	144,434
Facilities	51,801	13,182	8,801	73,784	70,246
Depreciation/amortization	197,932	106,416	-	304,348	284,588
Total operating expenses	819,785	878,133	68,840	1,766,758	1,506,643
Operating income (loss)	194,011	(250,759)	98,956	42,208	487,690
NON-OPERATING REVENUES (EXPENSES)					
Interest income	24,992	3,871	2,407	31,270	72,179
Miscellaneous expense	(2,194)	-	-	(2,194)	(9,342)
Interest expense	(77,505)	(41,700)	-	(119,205)	(124,421)
Property tax	-	32,911	-	32,911	32,911
Total non-operating revenue (expense)	(54,707)	(4,918)	2,407	(57,218)	(28,673)
Change in net assets	139,304	(255,677)	101,363	(15,010)	459,017
Total net assets - beginning	5,356,998	2,283,354	97,224	7,737,576	7,278,559
Total net assets -ending	$ 5,496,302	$ 2,027,677	$ 198,587	$ 7,722,566	$ 7,737,576

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, 2009
With Comparative Totals for June 30, 2008

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS 2009	MEMORANDUM TOTALS 2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 1,003,848	$ 627,796	$ 168,027	$ 1,799,671	$ 1,982,380
Payments to suppliers	(454,224)	(428,528)	(58,356)	(941,108)	(1,011,093)
Payments to employees	(177,050)	(75,282)	(4,491)	(256,823)	(203,127)
Net cash provided by operating activities	372,574	123,986	105,180	601,740	768,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(140,000)	(48,731)	-	(188,731)	(185,400)
Interest paid on capital debt	(77,505)	(41,700)	-	(119,205)	(124,421)
Purchases of capital assets	(145,184)	(75,540)	-	(220,724)	(389,936)
Net cash used by capital and related financing activities	(362,689)	(133,060)	-	(495,749)	(666,846)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	24,992	3,871	2,407	31,270	72,179
Net cash provided by investing activities	24,992	3,871	2,407	31,270	72,179
Net increase (decrease) in cash and cash equivalents	34,877	(5,203)	107,587	137,261	173,493
Cash and equivalents at beginning of year	1,082,719	298,987	82,906	1,464,612	1,291,119
Cash and equivalents at end of year	$ 1,117,596	$ 293,784	$ 190,493	$ 1,601,873	$ 1,464,612
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 194,011	$ (250,759)	$ 98,956	42,208	487,690
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization	197,932	106,416	-	304,348	284,588
Changes in assets & liabilities:					
Decrease (increase) in receivables	(9,948)	(422)	231	(10,139)	11,953
Increase (decrease) in accruals	(7,227)	268,751	5,993	267,517	(6,729)
Miscellaneous expense	(2,194)	-	-	(2,194)	(9,342)
Total adjustments	178,563	374,745	6,224	559,532	280,470
Net cash provided (used) by operating activities:	$ 372,574	$ 123,986	$ 105,180	$ 601,740	$ 768,160

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

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, 2009. 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, 2009. 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	$19,812,908
Accumulated depreciation	(10,726,305)
Total difference	$ 9,086,603

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 $	(947,000)
Bond issue costs, net of amortization	19,233
Accrued interest payable	(1,377)
Deferred amount on refunding	(220,186)
Compensated absences	(127,990)
	$ (1,277,320)

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	$ 824,091
Loss on disposal of fixed assets	(1,555)
Depreciation expense	(692,370)
Net difference as reported	$ 130,166

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	$ 118,000
Change in accrued compensated absences	6,109
Change in accrued interest payable	172
Amortization of bond issuance costs	28,708
	$ 152,989

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, 2009, $0 of the City's bank balances of $333,716 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, 2009, the City had investments of $2,419,759 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, 2009, as follows:

Garbage and Dispatch fee	$ 66,374	(net of $4,002 allowance)
Water	88,912	(net of $8,803 allowance)
Sewer	55,760	(net of $4,316 allowance)
Stormwater	14,988	(net of $94 allowance)
Property tax	919,525	
Court	80,527	(net of $44,347 allowance)
Sales tax	137,204	
Energy Use tax	15,459	
Transient room tax	2,041	
Class C Road funds	61,805	
Total	$ 1,442,595	

Note 5: Utility users

As of June 30, 2009, the number of utility users were:

	Residential	Commercial
Water	2,151	90
Sewer	1,995	160
Garbage	2,395	144
Dispatch	1,967	220
Stormwater	2,049	159

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	$ 3.50
Commercial	Per ERU
Multi-family	2.00

Garbage rates:

Res. 90 gallon w/ recycle	$ 17.40
Res. 60 gallon w/ recycle	15.15
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, 2009, insurance and bond coverage's are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability (including errors And omissions)	Utah Local Governments Trust	$5,000,000	7/1/09
Automobiles – liability	Utah Local Governments Trust	5,000,000	7/1/09
Buildings & Contents	Utah Local Governments Trust	11,650,648	7/1/09
Treasurer position bond	Kemper	40,000	2/1/10
Mayor & Treasurer	Western Surety	424,710	6/26/10

Bonds

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

Note 7: Overexpended budget

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

Non-departmental	10,763
Judicial	587

Note 8: Long-term debt

Long-term debt at June 30, 2009, consists of the following:

Water fund:	7/1/08	Principal Paid	6/30/09	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%	1,710,000	140,000	1,570,000	145,000
Total water fund			$1,570,000	
Sewer fund:				
GMAC; $1,000,000 Due in monthly Installments of $4,830 including interest at 5.00%	541,646	31,120	510,526	32,390
GMAC; $560,000 Due in annual Installments of $32,911 including interest at 5.00%	306,001	17,611	288,390	18,493
Total sewer fund			$798,916	

Library fund:

US Bank; library, $1,065,000 due in annual installments ranging from $118,000 to $150,000 plus interest of 3.49%	1,065,000	118,000	947,000	122,000
Total Library fund			$947,000	

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, 2009, are as follows:

June 30	Bond Principal	Bond Interest
2010	$ 317,883	$ 144,959
2011	329,507	131,919
2012	346,265	118,241
2013	359,166	103,526
2014	372,216	88,260
2015	389,424	72,434
2016	408,797	55,579
2017	272,344	37,870
2018	286,075	24,744
2019	79,998	10,955
2020	154,241	5,485
Totals	$ 3,315,916	$ 793,972

Advance Refunding- March 18, 2009

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 Employer for Employee	Employer
Local Gov't Contributory	6.00	7.61
Local Gov't Noncontributory	0	11.62
Public Safety Contributory	12.29	13.49
Public Safety Noncontributory	0	24.91
Firefighters	13.14	0

Contributions	6/30/2009	6/30/2008	6/30/2007
Local Gov't Contributory	7,416	8,551	9,234
Local Gov't Noncontributory	112,373	99,927	93,343
Public Safety Contributory	11,643	38,343	45,519
Public Safety Noncontributory	50,570	19,917	11,774
Firefighters	5,447	4,943	5,296

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 2009 totaled $44,419.

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, 2009, are as follows:

	7/1/08	Additions	Deletions	6/30/09
Land	$2,186,515	$ 9,510	$	$2,196,025
Water shares	58,169			58,169
Buildings	2,291,248			2,291,248
Library	344,414		41,664	302,750
Police	334,673	53,521	107,178	281,016
Fire	1,146,342	111,399	3,400	1,254,341
Streets	672,084	81,737	14,404	739,417
Parks	387,105	132,828	4,633	515,300
Facilities	55,066	68,542		123,608
Inspection	88,161			88,161
Administrative	6,529			6,529
Executive	22,871	24,349		47,220
Planner	9,855			9,855
Cemetery	43,623	19,410		63,033
Road System	11,457,903	378,333		11,836,236
Total assets	19,104,558	879,629	171,279	19,812,908
Accumulated depreciation	(10,148,122)	(692,370)	(114,187)	(10,726,305)
Net assets	$ 8,956,436	$ 187,259	$ 57,092	$9,086,603

Enterprise fund changes were as follows:

Water:				
Land	$ 310,301	$	$	$ 310,301
Water shares	16,159			16,159
System	7,828,414	127,427		7,955,841
Buildings	125,578			125,578
Equipment	607,388	17,757		625,145
Accumulated depreciation	(2,983,852)	(195,997)		(3,179,849)
Net assets	$5,903,988	$ (50,813)	$	$5,853,175
Sewer:				
Land	$ 850	$	$	$ 850
System	4,710,729			4,710,729
Equipment	314,117	75,540		389,657
Accumulated depreciation	(2,154,052)	(106,416)		(2,260,468)
Net assets	$2,871,644	$ (30,876)	$	$2,840,768

Depreciation expense was charged to governmental functions as follows:

General government	$ 13,108
Public safety	158,223
Streets	437,510
Parks & recreation	83,529
	$692,370

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	$642,166	$ --	$ 190,493
Receivables	88,912	55,760	14,988
Current Liabilities:			
Accounts payable	(7,793)	(356,509)	(6,894)
Accrued interest	(2,995)	(7,210)	--
Current portion Long-term debt	(145,000)	(50,883)	--
Net Working Capital	$575,290	$(358,842)	$ 198,587

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 $127,990 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 $268,790. 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, 2009
With Comparative Totals for June 30, 2008

	Capital Projects	Total Nonmajor Governmental 2009	Total Nonmajor Governmental 2008
ASSETS			
Restricted cash	$ 285,044	$ 285,044	$ 434,057
Total assets	$ 285,044	$ 285,044	$ 434,057
LIABILITIES & FUND BALANCE			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Accrued expenses	-	-	-
Total liabilities	-	-	-
Fund balances:			
Unreserved:			
Capital projects funds	285,044	285,044	434,057
Total fund balances	285,044	285,044	434,057
Total liabilities & fund balances	$ 285,044	$ 285,044	$ 434,057

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, 2009
With Comparative Totals for June 30, 2008

	Capital Projects	Total Nonmajor Governmental 2009	2008
REVENUES			
Charges for services	$ -	$ -	$ -
Other	7,434	7,434	8,053
Total revenues	7,434	7,434	8,053
EXPENDITURES			
Current operations:			
General government	46,723	46,723	63,460
Public safety	50,304	50,304	32,944
Streets	59,420	59,420	208,820
Total expenditures	156,447	156,447	305,224
Net change in fund balances	(149,013)	(149,013)	(297,171)
Transfers in (out)	-	-	671,825
Fund balances-beginning	434,057	434,057	59,403
Fund balances-ending	$ 285,044	$ 285,044	$ 434,057

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, 2009
With Comparative Totals for June 30, 2008

	Storm water	Total Nonmajor Proprietary 2009	Total Nonmajor Proprietary 2008
ASSETS			
Cash and cash equivalents	$ 190,493	$ 190,493	$ 82,906
Accounts receivable	14,988	14,988	15,219
Total current assets	$ 205,481	$ 205,481	$ 98,125
LIABILITIES & NET ASSETS			
Liabilities:			
Accounts payable	$ 6,894	$ 6,894	$ 901
Total current liabilities	6,894	6,894	901
NET ASSETS			
Unrestricted:			
Storm water	198,587	198,587	97,224
Total net assets	198,587	198,587	97,224
Total liabilities & net assets	$ 205,481	$ 205,481	$ 98,125

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, 2009
With Comparative Totals for June 30, 2008

		Total Nonmajor Proprietary	
	Storm Water	2009	2008
OPERATING REVENUES			
Charges for services	$ 167,796	$ 167,796	$ 165,172
Other	-	-	-
Total operating revenues	167,796	167,796	165,172
OPERATING EXPENSES			
Wages and benefits	4,491	4,491	7,917
Professional fees	4,577	4,577	20,823
Repairs and maintenance	36,015	36,015	2,648
Other	14,956	14,956	22,653
Facilities	8,801	8,801	8,379
Total operating expenses	68,840	68,840	62,420
Operating income	98,956	98,956	102,752
NON-OPERATING EXPENSES			
Interest income	2,407	2,407	1,155
Interest expense	-	-	-
Total non-operating expenses	2,407	2,407	1,155
Change in net assets	101,363	101,363	103,907
Net assets-beginning	97,224	97,224	(6,683)
Net assets-ending	$ 198,587	$ 198,587	$ 97,224

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, 2009
With Comparative Totals for June 30, 2008

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS 2009	MEMORANDUM TOTALS 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 168,027	$ 168,027	$ 165,977
Payments to suppliers	(58,356)	(58,356)	(57,050)
Payments to employees	(4,491)	(4,491)	(7,917)
Net cash used by operating activities	105,180	105,180	101,010
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,407	2,407	1,155
Net cash provided by investing activities	2,407	2,407	1,155
Net increase (decrease) in cash and cash equivalents	107,587	107,587	102,165
Cash and equivalents at beginning of year	82,906	82,906	(19,259)
Cash and equivalents at end of year	$ 190,493	$ 190,493	$ 82,906
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 98,956	$ 98,956	$ 102,752
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Changes in assets & liabilities:			
Decrease (increase) in receivables	231	231	(805)
Increase (decrease) in accruals	5,993	5,993	(937)
Total adjustments	6,224	6,224	(1,742)
Net cash provided (used) by operating activities:	$ 105,180	$ 105,180	$ 101,010

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

ALLRED JACKSON
AUDIT · TAXES · ADVISORY
A PROFESSIONAL CORPORATION

2100 NORTH MAIN – NORTH LOGAN, UTAH 84341
PHONE: 435-752-6441 – FAX: 435-752-6451

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, 2009, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated October 28, 2009. 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 in the accompanying management letter, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying management letter as finding 2009-1 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying management letter as finding 2009-2 to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as findings 2009-3, 2009-4, and 2009-5.

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.

Allred Jackson

October 28, 2009

ALLRED JACKSON
AUDIT · TAXES · ADVISORY
A PROFESSIONAL CORPORATION

2100 NORTH MAIN – NORTH LOGAN, UTAH 84341
PHONE: 435-752-6441 – FAX: 435-752-6451

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, 2009, and have issued our report thereon dated October 28, 2009. 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, 2009. 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.

Our audit does not provide a legal determination on the city's compliance with these requirements.

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, 2009.

The city's written responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the city's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the city and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Allred Jackson

October 28, 2009

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2100 NORTH MAIN – NORTH LOGAN, UTAH 84341
PHONE: 435-752-6441 – FAX: 435-752-6451

October 28, 2009

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, 2009, 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 a material weakness and 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 2009-2 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. We consider finding 2009-1 described below is a material weakness in internal control over financial reporting.

CURRENT YEAR FINDINGS

Finding 2009-1: *Audit Adjustments (material weakness)*
While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, adjust fixed assets and depreciation, and adjust accounts receivable. Although the City regularly posts and adjusts these accounts, these adjustments were not originally identified by management and therefore represent a material weakness in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles.

Recommendation:
We recommend that prior to audit fieldwork you review and adjust all accounts to ensure the current year organizational financial statements reflect the correct year end balances.

Management response:
Management will review and adjust accounts payable, fixed assets and depreciation, and accounts receivable at least quarterly throughout the fiscal year. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed again as necessary.

Finding 2009-2: *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 will follow the recommendation given by assessing, tracking and recording capital purchases in the depreciation schedule on a monthly basis. After the end of the fiscal year, and prior to the annual audit, a review and adjustments will be performed as necessary.

Finding 2009-3: *Budgetary Compliance (State Compliance)*
During our review of the budget to actual for the departments of the City, we became aware that two general fund 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:

Judicial: Actual expenditures exceeded the final budget by $587. This was due to Victim Reparations paid in July 2009, but incurred and booked in June 2009. The Final Budget review and approval in mid June did not anticipate all of the additional reparations to be paid by June 30th. Management is working closely with the court each month, and will review Final Budget amounts with the court to anticipate payments made by year end.

Non-departmental: Actual exceeded the final budget by $10,763. This was mainly due to payments made after the Final Budget approval including, an additional payment made to Cache County Service for Garbage, starting to use Postal Express mailing service for city billings at the end of June, and the purchase of Copier supplies purchased on the last day of June. Management will take more care to ensure that services and supplies are reviewed and budgeted more closely with departments at year end.

Finding 2009-4: *Sewer fund balance deficit (state compliance)*

The sewer fund incurred a deficit unreserved fund balance during the year and remained in deficit at year end.

Recommendation:

Prepare a plan to reduce the deficit and maintain a positive unreserved fund balance going forward.

Management response:

Management has found that during the last six months, approximately, measurements used by Logan City to determine the amount of sewer flow out of North Logan to be treated by Logan City has been overestimated by a factor of about two. North Logan Utilities and North Logan Engineering Departments are working together to gathering more precise data on sewer flow in order to dispute Logan City's measurements. Once this error is corrected, Logan City will be crediting funds back to North Logan City for over payment on sewer treatment. This should bring the Sewer Department's expenditures more in line with its revenue. If this does not solve the problem, management will consider an increase in sewer rates for North Logan City customers.

Finding 2009-5: *Three day deposit (state compliance)*

The City did not deposit funds into an approved financial institution within the timeframe given by the State of Utah.

Recommendation:

Implement a procedure to insure that all deposits are remitted into an approved financial institution within three working days.

Management response:

Management will monitor this requirement on an ongoing basis during monthly bank reconciliation reviews.

Finding 2009-6: *General unreserved fund balance (state compliance)*

The State of Utah 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, 2009.

Recommendation:
Establish a plan to reduce the unreserved general fund balance by approximately $46,000.

Management response:
The fiscal year 2010 budget currently established shows a projected unrestricted fund balance of about 8%. Great care has been taken to avoid going below the allowed fund balance range, especially 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 revenue than anticipated during the current economic downturn.

PRIOR 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.

Status:
Adjustments to the fixed asset schedule as well as the financial statements were needed. See current year finding.

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.

Status:

Two departments exceeded appropriations for the year ended June 30, 2009. See current year finding.

In conclusion, we wish to recognize Jeff Jorgensen and Scott Bennett 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 2009 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,

ALLRED JACKSON

Diana Cannell

Diana Cannell, CPA