

**NORTH LOGAN CITY  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2011**

**With Comparative Totals  
For June 30, 2010**

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## **INTRODUCTORY SECTION**

CITY OF NORTH LOGAN

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NORTH LOGAN, UTAH 84341  
(435) 752-1310  
FAX (435) 752-1357

LLOYD BERENTZEN, MAYOR

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR

November 18, 2011

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, 2011, 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, 2011, 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 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, 2011, 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, 2011, 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 Lloyd Berentzen  
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, 2011, 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, 2011, 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 November 18, 2011 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 should be considered in assessing the results for our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining nonmajor fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

ALLRED JACKSON

November 18, 2011

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

**For the Year Ended June 30, 2011**

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As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2011.

**FINANCIAL HIGHLIGHTS**

- The total net assets of North Logan City increased 6% to \$20,477,018.
- The total net assets of \$20,477,018 are made up of \$17,863,024 in capital assets net of related debt and \$2,613,994 in other net assets.
- In the General Fund, revenues were more than expenditures by \$138,123 before other financing sources and uses.
- Total long-term debt of the City was reduced by \$412,600.
- Business-type activities' total net assets increased \$94,848.

**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.

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

**Continued**

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**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 \$20,477,018.

By far the largest portion of North Logan City's net assets (88%) 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.

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

**Continued**

**STATEMENT OF NET ASSETS**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Current and other assets	\$ 2,920,478	\$ 3,237,088	\$ 1,730,608	\$ 2,040,766
Capital assets	11,874,416	10,999,039	8,795,887	8,591,988
Total assets	14,794,894	14,236,127	10,526,495	10,632,754
Long-term debt outstanding	723,021	814,500	1,979,291	2,300,412
Other liabilities	1,521,553	1,877,024	620,506	500,492
Total liabilities	2,244,574	2,691,524	2,599,797	2,800,904
Net assets:				
Invested in capital assets, net of debt	11,006,144	10,184,539	6,856,880	6,291,576
Restricted	126,729	280,816	473,991	954,712
Unrestricted	1,417,447	1,079,248	595,827	585,562
Total net assets	<u>\$ 12,550,320</u>	<u>\$ 11,544,603</u>	<u>\$ 7,926,698</u>	<u>\$ 7,831,850</u>

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Revenues:				
Program revenues:				
Charges for services	\$ 1,624,587	\$ 1,470,108	\$ 2,134,898	\$ 1,637,814
Dedicated property tax	427,425	399,579	32,911	32,911
Operating grants & contributions	149,925	205,241	-	-
Capital grants & contributions	995,984	2,729,953	177,094	177,929
General revenues:				
Property taxes	750,017	582,461	-	-
Other taxes	1,865,048	1,809,909	-	-
Investment income	4,847	5,514	8,093	9,850
Other revenues	330,178	38,226	-	-
Transfers in (out)	(7,000)	-	7,000	-
Total revenues	<u>6,141,011</u>	<u>7,240,991</u>	<u>2,359,996</u>	<u>1,858,504</u>
Expenses:				
General government	430,125	679,146	-	-
Public Safety	2,217,939	1,728,425	-	-
Streets	788,035	942,182	-	-
Sanitation	685,697	674,521	-	-
Parks & recreation	885,939	812,391	-	-
Community development	127,559	112,707	-	-
Water	-	-	903,910	916,831
Sewer	-	-	1,241,111	772,073
Storm water	-	-	120,127	60,316
Total expenses	<u>5,135,294</u>	<u>4,949,372</u>	<u>2,265,148</u>	<u>1,749,220</u>
Increase (decrease) in net assets	1,005,717	2,291,619	94,848	109,284
Net assets, beginning	11,544,603	9,252,984	7,831,850	7,722,566
Net assets, ending	<u>\$ 12,550,320</u>	<u>\$ 11,544,603</u>	<u>\$ 7,926,698</u>	<u>\$ 7,831,850</u>

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## **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, 2011, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,683,309. This represents an increase of \$27,685 (2%) 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 54% of total general fund revenues. The largest element is sales taxes, which represent 70% of total tax revenues and 38% of total General Fund revenues. This compares with 42% in the prior fiscal year ended June 30, 2010.

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 \$91,479 due to both bond and capital lease principal payments as well as the addition of a new capital lease.

Significant changes in business-type activities include a decrease in long-term debt of \$321,121 due to bond and capital lease principal payments.

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

The General Fund original budget for expenditures was \$4,619,067, which was increased 4.3% to \$4,816,450 to fund additional non-departmental costs and park improvements and to cover increases in transfers.

The Library Fund original budget for expenditures was \$527,532, which was increased 2% to \$536,289 to cover general operations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – North Logan City’s investment in capital assets (net of accumulated depreciation) as of June 30, 2011, amounts to \$20,670,303. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The total increase in the City’s investment in fixed assets was 5.5% 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:

- \$1,224,192 for construction of infrastructure, water, and sewer improvements.
- \$ 860,353 for land and water shares.
- \$ 224,904 for purchase of vehicles and equipment.

### NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 3,465,280	\$ 474,409
Buildings and equipment	5,949,884	1,326,503
Systems	14,454,599	13,079,829
Less: Accumulated depreciation	<u>(11,995,347)</u>	<u>(6,084,854)</u>
Total	<u>\$ 11,874,416</u>	<u>\$ 8,795,887</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, 2011, the City had total bonded debt outstanding of \$2,579,749. Of this amount \$949,449 is considered to be general obligation debt and backed by the full faith and credit of the City and \$1,630,300 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations are \$122,563.

### NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ 699,000	\$ 250,449
Capital lease	24,021	98,542
Revenue bonds		1,630,300
Total outstanding debt	<u>\$ 723,021</u>	<u>\$ 1,979,291</u>

The City’s debt decreased by \$412,600 during the fiscal year.

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

**NORTH LOGAN CITY**  
**Statement of Net Assets**

**As of June 30, 2011**

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2011	2010
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 1,370,030	\$1,049,034	\$ 2,419,064	\$ 1,934,986
Account receivable, net	1,331,966	164,411	1,496,377	2,060,691
Prepaid expense	78,015	-	78,015	14,691
Total current assets	2,780,011	1,213,445	3,993,456	4,010,368
Noncurrent assets:				
Deferred issue cost	13,738	43,172	56,910	31,958
Restricted assets:				
Cash	126,729	473,991	600,720	1,235,528
Capital assets:				
Land and water shares	3,465,280	474,409	3,939,689	3,196,649
Distribution and collection systems	14,454,599	13,079,829	27,534,428	26,310,236
Buildings and equipment	5,949,884	1,326,503	7,276,387	7,139,424
Less: Accumulated depreciation	(11,995,347)	(6,084,854)	(18,080,201)	(17,055,282)
Total noncurrent assets	12,014,883	9,313,050	21,327,933	20,858,513
Total assets	14,794,894	10,526,495	25,321,389	24,868,881
<b>LIABILITIES</b>				
Current liabilities:				
Cash allocation	-	484,644	484,644	420,834
Accounts payable	276,318	95,006	371,324	669,845
Accrued expense	71,997	37,968	109,965	91,754
Deposits	12,689	-	12,689	10,684
Accrued interest payable	1,713	9,245	10,958	11,125
Bonds payable within one year	138,484	247,770	386,254	349,242
Total current liabilities	501,201	874,633	1,375,834	1,553,484
Noncurrent liabilities:				
Bonds and leases payable	584,537	1,731,521	2,316,058	2,765,670
Deferred and premium amounts on refunding	157,276	(6,357)	150,919	188,731
Accrued compensated absences	139,133	-	139,133	122,116
Deferred revenue	862,427	-	862,427	862,427
Total noncurrent liabilities	1,743,373	1,725,164	3,468,537	3,938,944
Total liabilities	2,244,574	2,599,797	4,844,371	5,492,428
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,006,144	6,856,880	17,863,024	16,476,115
Restricted for:				
Debt service	-	284,703	284,703	414,756
Impact fees	81,576	189,288	270,864	708,305
State liquor funds	30,132	-	30,132	25,101
Grants and contributions	15,021	-	15,021	-
Unrestricted	1,417,447	595,827	2,013,274	1,752,176
Total net assets	\$ 12,550,320	\$7,926,698	\$ 20,477,018	\$ 19,376,453

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

**For the Year Ended June 30, 2011**

	Program Revenues							Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities	Business Type Activities	2011	2010
								\$	\$
<b>Governmental activities:</b>									
General government	\$ 430,125	\$ 462,792	\$ -	\$ -	\$ -	\$ 32,667	\$ -	\$ 32,667	\$ (373,330)
Public Safety	2,217,939	303,775	-	30,759	44,182	(1,839,223)	-	(1,839,223)	(1,390,969)
Streets	788,035	62,095	-	-	872,401	146,461	-	146,461	1,761,800
Sanitation	685,697	711,404	-	-	-	25,707	-	25,707	22,317
Parks and recreation	885,939	84,521	427,425	119,166	79,401	(175,426)	-	(175,426)	(51,602)
Community development	127,559	-	-	-	-	(127,559)	-	(127,559)	(112,707)
Total governmental activities	5,135,294	1,624,587	427,425	149,925	995,984	(1,937,373)	-	(1,937,373)	(144,491)
<b>Business-type activities:</b>									
Water	903,910	929,340	-	-	134,374	-	159,804	159,804	68,235
Sewer	1,241,111	1,029,983	32,911	-	42,720	-	(135,497)	(135,497)	(79,505)
Storm water	120,127	175,575	-	-	-	-	55,448	55,448	110,704
Total business-type activities	2,265,148	2,134,898	32,911	-	177,094	-	79,755	79,755	99,434
<b>General Revenues:</b>									
Taxes:									
Property taxes levied for general purposes						750,017	-	750,017	582,461
Franchise taxes						19,587	-	19,587	19,514
General sales taxes & highway sales taxes						1,845,461	-	1,845,461	1,790,395
Business licenses						40,569	-	40,569	38,226
Gain (loss) on sale of assets						289,609	-	289,609	-
Investment income						4,847	8,093	12,940	15,364
Transfers						(7,000)	7,000	-	-
Total general revenues						2,943,090	15,093	2,958,183	2,445,960
Change in net assets						1,005,717	94,848	1,100,565	2,400,903
Net assets - beginning						11,544,603	7,831,850	19,376,453	16,975,550
Net assets - ending						\$ 12,550,320	\$ 7,926,698	\$ 20,477,018	\$ 19,376,453

See accompanying notes to the financial statements and accountant's report

**NORTH LOGAN CITY**  
**Balance Sheet**

**As of June 30, 2011**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2011	2010
<b>ASSETS</b>					
Cash & cash equivalents	\$ 527,869	\$ 195,683	\$ 646,478	\$ 1,370,030	\$ 990,570
Accounts receivable, net	1,331,966	-	-	1,331,966	1,934,525
Prepaid expense	78,015	-	-	78,015	14,691
Restricted cash	116,816	9,913	-	126,729	280,816
<b>Total assets</b>	<b>\$ 2,054,666</b>	<b>\$ 205,596</b>	<b>\$ 646,478</b>	<b>\$ 2,906,740</b>	<b>\$ 3,220,602</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 249,953	\$ 12,094	\$ 14,271	\$ 276,318	\$ 600,113
Accrued expenses	66,948	5,049	-	71,997	91,754
Deposits	12,689	-	-	12,689	10,684
Deferred revenue	862,427	-	-	862,427	862,427
<b>Total liabilities</b>	<b>1,192,017</b>	<b>17,143</b>	<b>14,271</b>	<b>1,223,431</b>	<b>1,564,978</b>
<b>Fund Balance:</b>					
<b>Restricted for:</b>					
Park impact	81,576	-	-	81,576	95,733
Road impact	-	-	-	-	72,616
State liquor funds	30,132	-	-	30,132	25,101
Shop with a cop	5,108	-	-	5,108	-
Library	-	9,913	-	9,913	-
<b>Assigned for:</b>					
Equestrian Park	99	-	-	99	139
Little League	8,000	-	-	8,000	5,304
Cemetery	85,749	-	-	85,749	81,256
Junior Jazz	878	-	-	878	667
Special revenue funds	-	178,540	-	178,540	167,557
Capital projects funds	-	-	632,207	632,207	667,334
<b>Unassigned for:</b>					
General fund	651,107	-	-	651,107	539,917
<b>Total fund balances</b>	<b>862,649</b>	<b>188,453</b>	<b>632,207</b>	<b>1,683,309</b>	<b>1,655,624</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,054,666</b>	<b>\$ 205,596</b>	<b>\$ 646,478</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 \$23,869,763 and \$22,309,766, respectively and the accumulated depreciation is \$11,995,347 and \$11,310,727 respectively.

11,874,416      10,999,039

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.

(1,007,405)      (1,110,060)

Total net assets-governmental activities

\$ 12,550,320      \$ 11,544,603

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

**For the Year Ended June 30, 2011**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2011	2010
<b>Revenues:</b>					
Taxes	\$ 2,615,065	\$ 427,425	\$ -	\$ 3,042,490	\$ 2,791,949
Licenses and permits	157,926	-	-	157,926	174,377
Intergovernmental revenue	447,116	5,366	-	452,482	390,329
Charges for services	1,184,081	-	-	1,184,081	1,154,642
Fines	217,418	14,246	-	231,664	134,401
Other	95,028	118,984	1,228	215,240	212,209
<b>Total revenues</b>	<b>4,716,634</b>	<b>566,021</b>	<b>1,228</b>	<b>5,283,883</b>	<b>4,857,907</b>
<b>Expenditures:</b>					
Current operations:					
General government	805,525	-	21,805	827,330	699,602
Public safety	1,647,165	-	458,379	2,105,544	1,634,376
Streets	759,272	-	370,526	1,129,798	2,538,023
Sanitation	685,697	-	-	685,697	674,521
Parks and recreation	553,293	390,365	-	943,658	822,907
Community development	127,559	-	-	127,559	112,707
Debt service:					
Principal	-	126,334	-	126,334	132,500
Interest	-	28,426	-	28,426	35,449
<b>Total expenditures</b>	<b>4,578,511</b>	<b>545,125</b>	<b>850,710</b>	<b>5,974,346</b>	<b>6,650,085</b>
Excess (deficiency) of revenues over expenditures	138,123	20,896	(849,482)	(690,463)	(1,792,178)
<b>Other financing sources (uses):</b>					
Sale of capital assets	150,629	-	-	150,629	-
Capital contributions	-	-	574,519	574,519	2,004,101
Transfers in (out)	(246,836)	-	239,836	(7,000)	-
<b>Total other financing sources</b>	<b>(96,207)</b>	<b>-</b>	<b>814,355</b>	<b>718,148</b>	<b>2,004,101</b>
<b>Net change in fund balances</b>	<b>41,916</b>	<b>20,896</b>	<b>(35,127)</b>	<b>27,685</b>	<b>211,923</b>
Fund balances, beginning of year	820,733	167,557	667,334	1,655,624	1,443,701
<b>Fund balances, end of year</b>	<b>\$ 862,649</b>	<b>\$ 188,453</b>	<b>\$ 632,207</b>	<b>\$ 1,683,309</b>	<b>\$ 1,655,624</b>

**NORTH LOGAN CITY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2011**

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

Net change in fund balances-total governmental funds \$ 27,685

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	1,481,610	
Land exchange	283,641	
Loss on disposal of assets	(144,661)	
Depreciation expense	<u>(745,213)</u>	875,377

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 and lease principal	124,700	
Capital lease issuance	(33,221)	
Change in accrued interest payable	(514)	
Change in accrued compensated absences	(17,017)	
Amortization of bond issuance costs/refunding	<u>28,707</u>	<u>102,655</u>

Change in net assets of governmental activities \$ 1,005,717

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

**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>GENERAL FUND REVENUES</b>				
Taxes:				
General property taxes-current	\$ 523,014	\$ 510,089	\$ 627,946	\$ 117,857
Prior years' taxes-delinquent	13,874	41,000	40,397	(603)
General sales & use taxes	1,787,318	1,838,471	1,845,461	6,990
Franchise taxes	16,153	23,000	19,587	(3,413)
Fee-in-lieu of property taxes	105,097	80,000	81,674	1,674
Total taxes	<u>2,445,456</u>	<u>2,492,560</u>	<u>2,615,065</u>	<u>122,505</u>
Licenses & permits:				
Business licenses & permits	38,000	38,000	40,569	2,569
Building structures & equipment	150,000	150,000	112,750	(37,250)
Animal licenses	2,000	4,200	4,607	407
Total licenses & permits	<u>190,000</u>	<u>192,200</u>	<u>157,926</u>	<u>(34,274)</u>
Intergovernmental revenues:				
Public safety	20,000	72,337	62,728	(9,609)
State and other governmental grants	84,335	69,866	86,506	16,640
Class "C" road fund allotment	296,679	296,679	297,882	1,203
Total intergovernmental revenues	<u>401,014</u>	<u>438,882</u>	<u>447,116</u>	<u>8,234</u>
Charges for services:				
Zoning & subdivision fees	181,000	123,500	136,561	13,061
Sale of maps & publications	200	200	-	(200)
Public safety	309,637	303,687	303,775	88
Refuse collection charges	711,868	711,868	711,404	(464)
Cemetery fees	4,000	7,500	8,664	1,164
Parks and public property	16,100	17,900	23,677	5,777
Total charges for services	<u>1,222,805</u>	<u>1,164,655</u>	<u>1,184,081</u>	<u>19,426</u>
Fines & forfeitures:				
Fines	164,000	154,000	216,974	62,974
Forfeitures	-	-	444	444
Total fines & forfeitures	<u>164,000</u>	<u>154,000</u>	<u>217,418</u>	<u>63,418</u>
Miscellaneous revenue:				
Interest earnings	3,640	4,240	2,905	(1,335)
Rents & miscellaneous	50,000	151,583	92,123	(59,460)
Sale of materials & supplies	9,000	86,000	150,629	64,629
Total Miscellaneous revenue	<u>62,640</u>	<u>241,823</u>	<u>245,657</u>	<u>3,834</u>
Contributions:				
Contribution from private sources	-	300	-	(300)
Total contributions	<u>-</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Total Revenues	<u>\$ 4,485,915</u>	<u>\$ 4,684,420</u>	<u>\$ 4,867,263</u>	<u>\$ 182,843</u>

See accompanying notes to the financial statements and accountant's report

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

**Continued**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>GENERAL FUND EXPENDITURES</b>				
General government:				
Legislative	\$ 82,003	\$ 88,883	\$ 88,845	\$ 38
Judicial	173,873	174,500	199,991	(25,491)
Executive	93,420	93,420	93,377	43
Administrative	138,530	127,940	135,705	(7,765)
Non-departmental	167,138	233,717	283,479	(49,762)
Planning & zoning	11,053	11,053	4,128	6,925
Total general government	666,017	729,513	805,525	(76,012)
Public safety:				
Police department	916,157	895,797	883,043	12,754
Fire department	374,019	400,055	397,315	2,740
Protective inspection	305,338	305,338	304,743	595
Animal control	51,552	49,734	62,064	(12,330)
Total public safety	1,647,066	1,650,924	1,647,165	3,759
Streets & public improvements:				
Streets	789,630	752,728	759,272	(6,544)
Sanitation	670,000	660,000	685,697	(25,697)
Total streets & improvements	1,459,630	1,412,728	1,444,969	(32,241)
Parks, recreation & public property:				
Park & park areas	440,451	462,083	404,420	57,663
Recreation & culture	53,480	58,780	57,787	993
Cemetery	119,900	119,900	91,086	28,814
Total parks, recreation & public property	613,831	640,763	553,293	87,470
Community & economic development:				
Community planning	135,687	135,687	127,559	8,128
Transfers & other uses:				
Transfer to other funds	96,836	246,835	246,836	(1)
Total transfers & other uses	96,836	246,835	246,836	(1)
<b>TOTAL EXPENDITURES</b>	<b>4,619,067</b>	<b>4,816,450</b>	<b>4,825,347</b>	<b>(8,897)</b>
Net change in fund balance	(133,152)	(132,030)	41,916	173,946
Fund balance at beginning of year	820,733	820,733	820,733	-
Fund balance at end of year	\$ 687,581	\$ 688,703	\$ 862,649	\$ 173,946

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

**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>LIBRARY FUND REVENUES</b>				
Dedicated property taxes	\$ 407,447	\$ 427,000	\$ 427,425	\$ 425
Intergovernmental revenue	4,000	5,366	5,366	-
Fines	10,582	13,000	14,246	1,246
Other	82,600	119,741	118,984	(757)
Total revenues	<u>504,629</u>	<u>565,107</u>	<u>566,021</u>	<u>914</u>
<b>LIBRARY FUND EXPENDITURES</b>				
General operations	372,739	381,496	390,365	(8,869)
Debt service principal	126,000	126,000	126,334	(334)
Debt service interest	28,793	28,793	28,426	367
Total expenditures	<u>527,532</u>	<u>536,289</u>	<u>545,125</u>	<u>(8,836)</u>
Net change in fund balance	(22,903)	28,818	20,896	(7,922)
Fund balance at beginning of year	<u>167,557</u>	<u>167,557</u>	<u>167,557</u>	-
Fund balance at end of year	<u>\$ 144,654</u>	<u>\$ 196,375</u>	<u>\$ 188,453</u>	<u>\$ (7,922)</u>

**NORTH LOGAN CITY**  
**Statement of Net Assets – Proprietary Fund**

**As of June 30, 2011**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2011	2010
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 739,993	\$ -	\$ 309,041	\$1,049,034	\$ 944,416
Accounts receivable, net	54,312	94,918	15,181	164,411	126,166
Total current assets	794,305	94,918	324,222	1,213,445	1,070,582
Noncurrent assets:					
Deferred issue cost	43,172	-	-	43,172	15,472
Restricted cash	218,524	255,467	-	473,991	954,712
Capital assets					
Land & water shares	473,559	850	-	474,409	327,310
Distribution and collection systems	8,236,963	4,842,866	-	13,079,829	12,682,730
Buildings and equipment	803,270	358,813	164,420	1,326,503	1,326,503
Less accumulated depreciation	(3,608,001)	(2,452,190)	(24,663)	(6,084,854)	(5,744,555)
Total noncurrent assets	6,167,487	3,005,806	139,757	9,313,050	9,562,172
<b>TOTAL ASSETS</b>	<b>6,961,792</b>	<b>3,100,724</b>	<b>463,979</b>	<b>10,526,495</b>	<b>10,632,754</b>
<b>LIABILITIES</b>					
Current liabilities:					
Cash allocation	-	484,644	-	484,644	420,834
Accounts payable	9,563	83,492	1,951	95,006	34,060
Accrued payables	32,085	5,883	-	37,968	35,672
Accrued interest payable	2,983	6,262	-	9,245	9,926
Bonds payable - due within a year	160,000	56,265	31,505	247,770	233,742
Total current liabilities	204,631	636,546	33,456	874,633	734,234
Noncurrent liabilities:					
Bonds payable - due in more than one year	1,025,000	639,484	67,037	1,731,521	2,066,670
Deferred amounts on refunding	(22,300)	-	-	(22,300)	-
Bond premium on refunding	15,943	-	-	15,943	-
Total noncurrent liabilities	1,018,643	639,484	67,037	1,725,164	2,066,670
Total liabilities	1,223,274	1,276,030	100,493	2,599,797	2,800,904
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,767,337	2,048,328	41,215	6,856,880	6,291,576
Restricted for debt service	135,896	148,807	-	284,703	414,756
Restricted for impact fees	82,628	106,660	-	189,288	539,956
Unrestricted	752,657	(479,101)	322,271	595,827	585,562
Total net assets	\$5,738,518	\$ 1,824,694	\$ 363,486	\$7,926,698	\$7,831,850

See accompanying notes to the financial statements and accountant's report

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Assets – Proprietary Fund**

**As of June 30, 2011**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2011	2010
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 925,196	\$ 1,029,983	\$ 175,575	\$ 2,130,754	\$ 1,634,169
Impact fees	134,374	42,720	-	177,094	177,929
Other	4,144	-	-	4,144	3,645
<b>Total operating revenues</b>	<b>1,063,714</b>	<b>1,072,703</b>	<b>175,575</b>	<b>2,311,992</b>	<b>1,815,743</b>
<b>OPERATING EXPENSES</b>					
Wages and benefits	261,603	94,835	17,723	374,161	355,704
Professional fees	7,084	-	29,335	36,419	38,628
Disposal and treatment	-	894,190	-	894,190	428,694
Utilities	61,736	-	-	61,736	79,699
Repairs and maintenance	152,447	32,617	27,857	212,921	180,332
Other	97,577	52,467	15,579	165,623	162,424
Facilities	45,814	11,659	7,783	65,256	63,904
Depreciation/amortization	210,795	116,285	16,442	343,522	322,465
<b>Total operating expenses</b>	<b>837,056</b>	<b>1,202,053</b>	<b>114,719</b>	<b>2,153,828</b>	<b>1,631,850</b>
<b>Operating income (loss)</b>	<b>226,658</b>	<b>(129,350)</b>	<b>60,856</b>	<b>158,164</b>	<b>183,893</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	6,540	90	1,463	8,093	9,850
Miscellaneous expense	(8,739)	-	-	(8,739)	(7,189)
Interest expense	(58,115)	(39,058)	(5,408)	(102,581)	(110,181)
Transfers in (out)	-	11,000	(4,000)	7,000	-
Property tax	-	32,911	-	32,911	32,911
<b>Total non-operating revenue (expense)</b>	<b>(60,314)</b>	<b>4,943</b>	<b>(7,945)</b>	<b>(63,316)</b>	<b>(74,609)</b>
Change in net assets	166,344	(124,407)	52,911	94,848	109,284
<b>Total net assets - beginning</b>	<b>5,572,174</b>	<b>1,949,101</b>	<b>310,575</b>	<b>7,831,850</b>	<b>7,722,566</b>
<b>Total net assets -ending</b>	<b>\$ 5,738,518</b>	<b>\$ 1,824,694</b>	<b>\$ 363,486</b>	<b>\$ 7,926,698</b>	<b>\$ 7,831,850</b>

**NORTH LOGAN CITY**  
**Statement of Cash Flows – Proprietary Fund**

	<b>For the Year Ended June 30, 2011</b>			
	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS
			2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,063,750	\$ 1,034,550	\$ 175,447	\$ 1,802,599
Payments to suppliers	(388,673)	(836,634)	(86,206)	(796,287)
Payments to employees	(261,603)	(94,835)	(17,723)	(355,704)
Net cash provided by operating activities	413,474	103,081	71,518	650,608
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Dedicated property tax	-	32,911	-	32,911
Bond refunding, net	(277,280)	-	-	-
Principal paid on capital debt	-	(50,886)	(30,235)	(232,924)
Interest paid on capital debt	(58,115)	(39,058)	(5,408)	(110,181)
Purchases of capital assets	(412,061)	(132,137)	-	(53,009)
Net cash used by capital and related financing activities	(747,456)	(189,170)	(35,643)	(363,203)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	6,540	90	1,463	9,850
Net cash provided by investing activities	6,540	90	1,463	9,850
Net increase (decrease) in cash and cash equivalents	(327,442)	(85,999)	37,338	297,255
Cash and equivalents at beginning of year	1,285,959	341,466	271,703	1,601,873
Cash and equivalents at end of year	<u>\$ 958,517</u>	<u>\$ 255,467</u>	<u>\$ 309,041</u>	<u>\$ 1,899,128</u>

See accompanying notes to the financial statements and accountant's report

**NORTH LOGAN CITY**  
**Statement of Cash Flows – Proprietary Fund**

Continued

Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$	226,658	\$	(129,350)	\$ 158,164
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization		210,795		116,285	343,522
Changes in assets & liabilities:				16,442	
Decrease (increase) in receivables		36		(128)	(38,245)
Increase (decrease) in accruals		(15,276)		(1,652)	126,371
Miscellaneous expense/transfers		(8,739)		(4,000)	(1,739)
Total adjustments		<u>186,816</u>		<u>232,431</u>	<u>429,909</u>
Net cash provided (used) by operating activities:		<u>\$ 413,474</u>		<u>\$ 103,081</u>	<u>\$ 588,073</u>
Non cash transactions:				\$ 71,518	\$ 650,608

In 2010, the Storm water fund purchased assets through a capital lease for \$164,420

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

**June 30, 2011**

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**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.

**1. STRUCTURE - continued**

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.

**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, 2011. 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

Continued

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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. 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are residual balances in the General Fund.

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.

**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.

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

Continued

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

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	\$ 23,869,763
Accumulated depreciation	(11,995,347)
Total difference	\$ 11,874,416

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	\$ (723,021)
Bond issue costs, net of amortization	13,738
Accrued interest payable	(1,713)
Deferred amount on refunding	(157,276)
Compensated absences	(139,133)
	\$ (1,007,405)

**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	\$ 1,481,610
Land exchange	283,641
Loss on disposal of fixed assets	(144,661)
Depreciation expense	(745,213)
Net difference as reported	\$ 875,377

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

Continued

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

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	\$	115,500
Repayment of capital lease principal		9,200
Addition of capital lease		(33,221)
Change in accrued compensated absences		(17,017)
Change in accrued interest payable		(514)
Amortization of bond issuance costs		28,707
	<u>\$</u>	<u>102,655</u>

**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, 2011, \$0 of the City’s bank balances of \$187,619 was 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.

**3. CASH & INVESTMENTS - Continued**

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, 2011, the City had investments of \$2,890,323 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.

**4. ACCOUNTS RECEIVABLE**

The City has accounts receivable as of June 30, 2011, as follows:

Property tax	\$ 1,035,755
Sales tax	120,525
Sewer	94,918 (net of \$4,714 allowance)
Garbage and Dispatch fee	73,162
Class C Road funds	57,987
Water	54,312 (net of \$9,540 allowance)
Court	26,404 (net of \$102,290 allowance)
Energy Use tax	18,133
Storm water	15,181 (net of \$275 allowance)
	<u>1,496,377</u>
Total	<u>\$ 1,496,377</u>

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

**Continued**

**5. UTILITY USERS**

As of June 30, 2011, the number of utility users was:

	Residential	Commercial
Water	2,055	88
Sewer	1,952	90
Garbage	1,908	136
Dispatch	1,889	179
Storm water	1,937	153
Green waste	406	

Water rates:

\$1.57 per thousand gallons, plus:

	Meter size	Fee
	3/4 or 1	\$ 7.11
	1 1/2	10.34
	2	14.22
	3	29.09
	4	54.29
	5	135.74

Sewer rates:

\$1.96 per thousand gallons winter water usage, plus:

	Water meter size	Fee
	3/4 or 1	\$ 22.10
	1 1/2	30.40
	2	41.45
	3	82.88
	4	151.95
	5	375.70

Storm water rates:

Residential	\$ 3.50
Commercial	Per ERU
Multi-family	2.00 per unit

Garbage rates:

Res. 90 gallon w/recycle	\$ 14.40
Res. 60 gallon w/recycle	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
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**NORTH LOGAN CITY**  
**Notes to the Financial Statements**

Continued

**6. INSURANCE & BOND COVERAGE**

As of June 30, 2011, insurance and bond coverage's are as follows:

<u>Type</u>	<u>Insurer</u>	<u>Limit</u>	<u>Expires</u>
Comprehensive general liability (including errors and omissions)	Utah Local Governments Trust	\$ 5,000,000	7/1/11
Automobiles-liability	Utah Local Governments Trust	\$ 5,000,000	7/1/11
Buildings & contents	Utah Local Governments Trust	\$ 12,810,095	7/1/11
Mayor & Treasurer	Western Surety	\$ 424,710	6/26/12
Bonds			
Blanket employee bond	Allied Insurance	\$ 10,000	4/1/12
Public Official bond	Allied Insurance	\$ 40,000	2/1/12
Treasurer position bond	Hartford	\$ 346,000	11/26/11

**7. OVER EXPENDED BUDGET**

The following departments within the General and Library funds over expended their budgets:

Judicial	25,491
Administrative	7,765
Non-departmental	49,762
Animal services	12,330
Streets	6,544
Sanitation	25,697
Library fund	8,836

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

Continued

**8. LONG-TERM DEBT**

Long-term debt at June 30, 2011, consists of the following:

Water fund:	<u>7/1/10</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/11</u>	<u>Due in 1 yr</u>
US Bank Trust \$2,495,000 due in annual installments ranging from \$50,000 to \$780,000 per year plus int. ranging from 3.10% to 4.7%	\$ 1,425,000	\$ -	\$1,425,000	\$ -	\$ -
US Bank Trust \$1,185,000 due in annual installments ranging from \$160,000 to \$180,000 per year plus int. ranging from 2% to 3%.	-	1,185,000	-	<u>1,185,000</u>	<u>160,000</u>
Total water fund				<u>1,185,000</u>	<u>160,000</u>
<b>Sewer fund:</b>					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including int. at 5%	476,065	-	30,765	445,300	35,877
GMAC; \$560,000 due in monthly installments of \$32,911 including int. at 5%	270,570	-	20,121	<u>250,449</u>	<u>20,388</u>
Total sewer fund				<u>695,749</u>	<u>56,265</u>
<b>Storm water fund:</b>					
Capital lease; \$164,420 due in annual installments of \$35,644 including interest of 4.2%. Asset value of \$164,420 with \$16,442 depreciation and accum. depreciation of \$24,663.	128,777	-	30,235	<u>98,542</u>	<u>31,505</u>
Total storm water fund				<u>98,542</u>	<u>31,505</u>
<b>Library fund:</b>					
US bank \$1,065,000 due in annual installments ranging from \$118,000 to \$150,000 plus interest of 3.49%.	814,500	-	115,500	<u>699,000</u>	<u>130,000</u>
Total library fund				<u>699,000</u>	<u>130,000</u>
<b>General Fund:</b>					
Capital lease; \$33,221 due in annual installments of \$5,491-\$9,200 including interest of 2.98%. Asset value \$33,221 with depr. of \$5,537 and depr. of \$5,537.	-	33,221	9,200	<u>24,021</u>	<u>8,484</u>
Total general fund				<u>24,021</u>	<u>8,484</u>

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

Continued

**8. LONG-TERM DEBT - continued**

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

The annual requirements to amortize long-term debt outstanding as of June 30, 2011, are as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2012	\$ 386,254	\$ 87,613
2013	397,022	75,403
2014	406,602	62,813
2015	384,756	51,570
2016	388,797	40,504
2017	247,344	28,363
2018	256,075	20,274
2019	79,998	10,955
2020	155,464	5,485
Totals	<u>\$ 2,702,312</u>	<u>\$ 382,980</u>

**Advance Refunding- March 18, 2010**

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.

**Advance Refunding- March 30, 2011**

The City issued \$1,185,000 of water revenue 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 \$1,425,000 of water revenue bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The net carrying amount of the old debt exceeded the new bond by \$24,461. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Continued

**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:

<u>Rates</u>	<u>Paid by Employer</u>	
	<u>for Employee</u>	<u>Employer</u>
Local Gov't Contributory	6.00	9.36
Local Gov't Noncontributory	n/a	13.37
Public Safety Contributory	12.29	18.34
Public Safety Noncontributory	n/a	28.82
Firefighter	15.05	1.72

  

<u>Contributions</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>
Local Gov't Contributory	\$ 11,267	\$ 10,013	\$ 7,416
Local Gov't Noncontributory	143,664	118,833	112,373
Public Safety Contributory	64,524	58,010	11,643
Public Safety Noncontributory	28,061	25,217	50,570
Firefighter	16,182	13,432	5,447

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 2011 totaled \$40,420.

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

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

Continued

**10. CHANGES IN FIXED ASSETS**

General fixed asset changes occurring for the year ended June 30, 2011, are as follows:

	<u>7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2011</u>
Land and water shares	\$ 2,869,339	\$ 713,254	\$ 117,313	\$ 3,465,280
Buildings	2,342,090	-	-	2,342,090
Library	330,702	5,346	-	336,048
Police	311,596	39,015	-	350,611
Fire	1,231,731	-	-	1,231,731
Streets	739,417	6,500	49,351	696,566
Parks	553,339	-	38,590	514,749
Facilities	73,529	-	-	73,529
Inspection	88,161	14,990	-	103,151
Administrative	26,173	3,879	-	30,052
Executive	47,220	-	-	47,220
Planner	5,930	-	-	5,930
Cemetery	63,033	-	-	63,033
Construction in progress	-	155,174	-	155,174
Road system	13,627,506	827,093	-	14,454,599
Total assets	<u>22,309,766</u>	<u>1,765,251</u>	<u>205,254</u>	<u>23,869,763</u>
Accumulated depreciation	<u>(11,310,727)</u>	<u>(745,213)</u>	<u>(60,593)</u>	<u>(11,995,347)</u>
Net assets	<u>\$ 10,999,039</u>	<u>\$ 1,020,038</u>	<u>\$ 144,661</u>	<u>\$ 11,874,416</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 19,270
Public safety	133,179
Streets	491,830
Parks & recreation	100,934
	<u>\$ 745,213</u>

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

Continued

**10. CHANGES IN FIXED ASSETS - continued**

Enterprise fund changes were as follows:

	<u>7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2011</u>
Water:				
Land and water shares	\$ 326,460	\$ 147,099	\$ -	\$ 473,559
System	7,972,001	264,962	-	8,236,963
Buildings & equipment	803,270	-	-	803,270
Accumulated depreciation	(3,400,429)	(207,572)	-	(3,608,001)
Net assets	<u>\$ 5,701,302</u>	<u>\$ 204,489</u>	<u>\$ -</u>	<u>\$ 5,905,791</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	4,710,729	132,137	-	4,842,866
Equipment	358,813	-	-	358,813
Accumulated depreciation	(2,335,905)	(116,285)	-	(2,452,190)
Net assets	<u>\$ 2,734,487</u>	<u>\$ 15,852</u>	<u>\$ -</u>	<u>\$ 2,750,339</u>
Storm water:				
Equipment	\$ 164,420	\$ -	\$ -	\$ 164,420
Accumulated depreciation	(8,221)	(16,442)	-	(24,663)
Net assets	<u>\$ 156,199</u>	<u>\$ (16,442)</u>	<u>\$ -</u>	<u>\$ 139,757</u>

**11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Current assets:			
Cash	\$ 958,517	\$ 255,467	\$ 309,041
Receivables	54,312	94,918	15,181
Current liabilities			
Accounts payable	(41,648)	(574,019)	(1,951)
Accrued interest	(2,983)	(6,262)	-
Current portion long-term debt	(160,000)	(56,265)	(31,505)
Net working capital	<u>\$ 808,198</u>	<u>\$ (286,161)</u>	<u>\$ 290,766</u>

**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.

**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 \$177,101 in the General, Water and Sewer funds. 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 \$341,090. Based on past experience 20% of sick hours would be used in a year.

**14. MEMORANDUM TOTALS**

Total columns on the financial statements are captioned memorandum 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**

**As of June 30, 2011**

	Capital Projects	Total Nonmajor Governmental	
		2011	2010
<b>ASSETS</b>			
Cash & cash equivalents	\$ 646,478	\$ 646,478	\$ 236,620
Accounts receivable	-	-	442,498
Total assets	<u>\$ 646,478</u>	<u>\$ 646,478</u>	<u>\$ 679,118</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 14,271	\$ 14,271	\$ 11,784
Accrued expenses	-	-	-
Total liabilities	<u>14,271</u>	<u>14,271</u>	<u>11,784</u>
Fund balances:			
Assigned for:			
Capital projects funds	<u>632,207</u>	<u>632,207</u>	<u>667,334</u>
Total fund balances	<u>632,207</u>	<u>632,207</u>	<u>667,334</u>
Total liabilities & fund balances	<u>\$ 646,478</u>	<u>\$ 646,478</u>	<u>\$ 679,118</u>

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

**For the Year Ended June 30, 2011**

	Capital Projects	Total Nonmajor Governmental	
		2011	2010
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Other	1,228	1,228	1,840
Total revenues	<u>1,228</u>	<u>1,228</u>	<u>1,840</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	21,805	21,805	-
Public safety	458,379	458,379	40,343
Streets	370,526	370,526	1,918,337
Total expenditures	<u>850,710</u>	<u>850,710</u>	<u>1,958,680</u>
Deficiency of revenues over expenditures	(849,482)	(849,482)	(1,956,840)
Other financing sources (uses):			
Capital contributions	574,519	574,519	2,004,101
Transfers in (out)	239,836	239,836	335,029
Total other financing sources	814,355	814,355	2,339,130
Net change in fund balances	(35,127)	(35,127)	382,290
Fund balances-beginning	<u>667,334</u>	<u>667,334</u>	<u>285,044</u>
Fund balances-ending	<u>\$ 632,207</u>	<u>\$ 632,207</u>	<u>\$ 667,334</u>

**NORTH LOGAN CITY**  
**Nonmajor Proprietary Funds Combining**  
**Statement of Net Assets**

**As of June 30, 2011**

	Storm water	Total Nonmajor Proprietary	
		2011	2010
<b>ASSETS</b>			
Cash and cash equivalents	\$ 309,041	\$ 309,041	\$ 271,703
Accounts receivable	15,181	15,181	15,053
Total current assets	<u>324,222</u>	<u>324,222</u>	<u>286,756</u>
Capital assets			
Buildings and equipment	164,420	164,420	164,420
Less accumulated depreciation	(24,663)	(24,663)	(8,221)
Total noncurrent assets	<u>139,757</u>	<u>139,757</u>	<u>156,199</u>
Total assets	<u>\$ 463,979</u>	<u>\$ 463,979</u>	<u>\$ 442,955</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
Liabilities:			
Accounts payable	\$ 1,951	\$ 1,951	\$ 3,603
Bonds payable - due within a year	31,505	31,505	30,235
Total current liabilities	<u>33,456</u>	<u>33,456</u>	<u>33,838</u>
Noncurrent liabilities:			
Bonds payable - due in more than one year	<u>67,037</u>	<u>67,037</u>	<u>98,542</u>
Total noncurrent liabilities	<u>67,037</u>	<u>67,037</u>	<u>98,542</u>
Total liabilities	<u>100,493</u>	<u>100,493</u>	<u>132,380</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,215	41,215	27,422
Unrestricted	<u>322,271</u>	<u>322,271</u>	<u>283,153</u>
Total net assets	<u>363,486</u>	<u>363,486</u>	<u>310,575</u>
Total liabilities & net assets	<u>\$ 463,979</u>	<u>\$ 463,979</u>	<u>\$ 442,955</u>

**NORTH LOGAN CITY**  
**Nonmajor Proprietary Funds Combining Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**

**For the Year Ended June 30, 2011**

	Storm Water	Total Nonmajor Proprietary	
		2011	2010
<b>OPERATING REVENUES</b>			
Charges for services	\$ 175,575	\$ 175,575	\$ 171,020
Total operating revenues	175,575	175,575	171,020
<b>OPERATING EXPENSES</b>			
Wages and benefits	17,723	17,723	16,866
Professional fees	29,335	29,335	9,041
Repairs and maintenance	27,857	27,857	2,786
Other	15,579	15,579	15,780
Facilities	7,783	7,783	7,622
Depreciation	16,442	16,442	8,221
Total operating expenses	114,719	114,719	60,316
Operating income	60,856	60,856	110,704
<b>NON-OPERATING EXPENSES</b>			
Interest income	1,463	1,463	1,284
Interest expense	(5,408)	(5,408)	-
Transfers	(4,000)	(4,000)	-
Total non-operating expenses	(7,945)	(7,945)	1,284
Change in net assets	52,911	52,911	111,988
Net assets-beginning	310,575	310,575	198,587
Net assets-ending	\$ 363,486	\$ 363,486	\$ 310,575

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

**For the Year Ended June 30, 2011**

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 175,447	\$ 175,447	\$ 170,955
Payments to suppliers	(86,206)	(86,206)	(38,520)
Payments to employees	(17,723)	(17,723)	(16,866)
Net cash provided by operating activities	<u>71,518</u>	<u>71,518</u>	<u>115,569</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(30,235)	(30,235)	(35,643)
Interest paid on capital debt	(5,408)	(5,408)	-
Purchases of capital assets	-	-	-
Net cash used by capital and related financing activities	<u>(35,643)</u>	<u>(35,643)</u>	<u>(35,643)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>1,463</u>	<u>1,463</u>	<u>1,284</u>
Net cash provided by investing activities	<u>1,463</u>	<u>1,463</u>	<u>1,284</u>
Net increase in cash and cash equivalents	37,338	37,338	81,210
Cash and equivalents at beginning of year	<u>271,703</u>	<u>271,703</u>	<u>190,493</u>
Cash and equivalents at end of year	<u>\$ 309,041</u>	<u>\$ 309,041</u>	<u>\$ 271,703</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 60,856	\$ 60,856	\$ 110,704
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	16,442	16,442	8,221
Transfers	(4,000)	(4,000)	-
Changes in assets & liabilities:			
Decrease (increase) in receivables	(128)	(128)	(65)
Increase (decrease) in accruals	<u>(1,652)</u>	<u>(1,652)</u>	<u>(3,291)</u>
Total adjustments	<u>10,662</u>	<u>10,662</u>	<u>4,865</u>
Net cash provided (used) by operating activities:	<u>\$ 71,518</u>	<u>\$ 71,518</u>	<u>\$ 115,569</u>

Non cash transactions:

In 2010, the Storm water fund purchased assets through a capital lease for \$164,420

**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, 2011, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated November 18, 2011. 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 opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying management letter as finding 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A

significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 2011-3 through 2011-5.

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 solely for the information and use 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  
November 18, 2011

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

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

We have audited the City of North Logan (the City)'s compliance with general and major State program compliance requirements described in the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

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

The City received the following major State assistance programs from the State of Utah:

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

Compliance with the requirements referred to above is the responsibility of the City's management. 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; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the State of Utah Legal Compliance Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah legal Compliance Audit Guide and which are described in our letter to management dated October 3, 2011 as findings 2011-3, 2011-4 and 2011-5.

The City's written response to the finding identified in our audit is 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 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

November 18, 2011

November 18, 2011

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

Dear Mayor Berentzen:

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, 2011, 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 findings 2011-1 and 2011-2 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.

## **CURRENT YEAR FINDINGS**

### **Finding 2011-1:** *Audit Adjustments (significant deficiency)*

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 significant deficiency 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 monthly throughout the fiscal year and will pay particular attention to adjustments needed after the end of the fiscal year and prior to the annual audit. A review and adjustments will be performed after all invoices received after the fiscal year have been received and booked into the proper fiscal year. Allred Jackson will be contacted for input as questions arise throughout the year.

### **Finding 2011-2:** *Employee expenses/ documentation (significant deficiency)*

During the testing of employee expenses we noted that many receipts for items charged on the City credit card were not kept for documentation purposes. We also noted that per diem was paid to an employee in which he also charged expenses to the City credit card that should have been covered by the per diem amount.

### **Recommendation:**

We recommend that all employee expenses be reviewed for appropriateness and proper documentation. If an employee fails to provide documentation, management should consider removing credit card privileges.

### **Management response:**

Management will notify and reinforce throughout the year, to all department heads and all employees, the specific requirement that all receipts be turned into Accounts Payable. Accounts Payable will review per diem requests with associated receipts and credit card billing documents, to eliminate double payment for an expense. If an employee fails to provide documentation, management will consider removing the employees' credit card privileges and other necessary actions.

**Finding 2011-3:** *Budgetary Compliance (State Compliance)*

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

**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 \$25,491. Actual expenditures exceeded the Final Budget approved in mid-June which did not adequately estimate the court fees and wages. Management will work more closely with the court each month, and especially as the fiscal year-end comes to a close.

**Administrative:** Actual expenditures exceeded the final budget by \$7,765. This was mainly due to less than expected Administrative Allocations and increased Administrative Benefits.

**Animal Control:** Actual expenditures exceeded the final budget by \$12,330. This was mainly due to the retirement of the previous officer, payment of retirement benefits, and hiring of a new officer.

**Non-Departmental:** Actual expenditures exceeded the final budget by \$49,762. This was due to not anticipating the non-budgeted Bad Debt expense (\$53,172).

**Streets:** Actual expenditures exceeded the final budget by \$6,544. This was mainly due to extra street construction (1600 East) completed in June and paid in this fiscal year.

**Sanitation:** Actual expenditures exceeded the final budget by \$25,697. This was mainly due to increases in garbage collection service and costs.

**Library Debt Service:** Actual expenditures exceeded the final budget by \$8,836. This was mainly due to higher than anticipated capital and collections expenditures at year end.

Management will take more care to ensure that allocations and expenses are appropriately accounted during the year and at year-end in the final budget approval process.

**Finding 2011-4:** *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 found that during the year, after Logan City adjustments were credited back to North Logan City, that payments on sewer treatment and North Logan City's contributions toward the TDML Improvement Project increased expenditures and required North Logan City to raise sewer rates for North Logan City customers by Resolution 10-06, which became effective July 1, 2011.

**Finding 2011-5: Court reporting (state compliance)**

The City did not remit the monthly court report within the timeframe given by the State of Utah.

**Recommendation:**

Implement a procedure to insure that all reports are remitted to the State of Utah within by the 10<sup>th</sup> of the following month.

**Management response:**

If the court report is not received by North Logan by the 4<sup>th</sup> of each month, Accounts Payable will contact the Court to obtain the report for processing and assure that the report is mailed to the State of Utah no later than the 10<sup>th</sup> of each month.

**PRIOR YEAR FINDINGS**

**Finding 2010-1: Audit Adjustments (significant deficiency)**

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 significant deficiency 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 monthly 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. Allred Jackson will be contacted for input as questions arise throughout the year.

**Status:**

Although improvement has been made, this is a repeat finding for the current year.

**Finding 2010-2:** *Fixed Asset Tracking/Depreciation (significant deficiency)*

During the testing of fixed assets we noted that the schedule that tracks depreciation included amounts that were double booked as both land and improvements.

**Recommendation:**

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

**Management response:**

Allred Jackson has provided direction regarding Asset & Depreciation schedules in the future. 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.

**Status:**

Although we noted some adjustments that were made during the audit, improvement was made in this area.

**Finding 2010-3:** *Budgetary Compliance (State Compliance)*

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

**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 \$22,092. This was due to billing from Hyde Park for expenses paid in July 2011, but incurred and booked in June 2011. The Final Budget review and approval in mid-June did not anticipate all the additional reparations, wage & benefits and other expenses not yet billed by June 30th. Management will work more closely with the court each month, request estimated expenses to be incurred during June, and will review Final Budget amounts with the court to anticipate payments made by year end.

Library Debt Service: Actual exceeded the final budget by \$12,899. This was mainly due to payments made after the Final Budget approval including, an additional payment made to US Bank. Management will take more care to ensure that services and supplies are reviewed and budgeted more closely with departments at year end.

**Status:**

This is a repeat finding for the current year.

**Finding 2010-4:** *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 year, after Logan City adjustments were credited back to North Logan City, that payment on sewer treatment increased and required North Logan City to raise sewer rates for North Logan City customers by Resolution 10-06 which became effective July 1, 2011.

**Status:**

This is a repeat finding for the current year.

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 2011 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, CPA