



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2013**

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INTRODUCTORY SECTION

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CITY OF NORTH LOGAN

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LLOYD BERENTZEN, MAYOR

JEFFREY M. JORGENSEN, P.E.
CITY ADMINISTRATOR

December 16, 2013

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, 2013, 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 Position that provides the total net position 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, 2013, 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, 2013, 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, 2013, 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
City of North Logan
North Logan, Utah

Report on the Financial Statements

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 City of North Logan, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Logan, Utah, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Logan, Utah's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 it.

ALLRED JACKSON

December 16, 2013

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

For the Year Ended June 30, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- The total net position of North Logan City increased 1.5% to \$21,726,442.
- The total net position of \$21,726,442 is made up of \$18,503,954 in capital assets net of related debt and \$3,222,488 in other net position.
- In the General Fund, revenues were more than expenditures by \$373,208 before other financing sources and uses.
- Total long-term debt of the City was reduced by \$288,737.
- Business-type activities' total net position increased \$306,252.

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 position presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus 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 17 & 18 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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Library Special Revenue Fund, and the Capital Projects Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$21,726,442.

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

NORTH LOGAN CITY
Management's Discussion and Analysis

Continued

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 3,164,493	\$ 2,995,377	\$ 1,613,292	\$ 2,322,490
Capital assets	11,952,090	12,161,542	8,690,724	8,464,301
Deferred outflow of resources	-	-	15,953	19,208
Total assets and def. outflows	15,116,583	15,156,919	10,319,969	10,805,999
Long-term debt outstanding	553,699	584,537	1,472,841	1,730,740
Other liabilities	544,962	616,740	114,985	649,368
Deferred inflow of resources	1,023,623	982,427	-	-
Total liabilities and def. inflows	2,122,284	2,183,704	1,587,826	2,380,108
Net position				
Net investment in capital assets	11,303,394	11,461,015	7,200,560	6,769,397
Restricted	381,275	287,185	971,735	868,476
Unrestricted	1,309,630	1,225,015	559,848	788,018
Total net position	<u>\$ 12,994,299</u>	<u>\$ 12,973,215</u>	<u>\$ 8,732,143</u>	<u>\$ 8,425,891</u>

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues:				
Program revenues:				
Charges for services	\$ 1,609,929	\$ 1,806,788	\$ 2,355,134	\$ 2,224,390
Dedicated property tax	508,840	446,058	32,911	32,911
Operating grants & contributions	456,734	359,187	-	-
Capital grants & contributions	238,007	593,911	234,320	407,131
General revenues:				
Property taxes	637,299	510,709	-	-
Other taxes	2,065,407	1,911,053	-	-
Investment income	10,917	7,470	9,565	11,206
Other revenues	44,696	65,749	-	-
Transfers in (out)	-	(7,000)	-	7,000
Total revenues	<u>5,571,829</u>	<u>5,693,925</u>	<u>2,631,930</u>	<u>2,682,638</u>
Expenses:				
General government	714,377	696,192	-	-
Public Safety	2,002,493	1,979,800	-	-
Streets	892,732	1,100,089	-	-
Public works	47,268	100,260	-	-
Sanitation	716,766	700,635	-	-
Parks & recreation	1,037,148	569,103	-	-
Community development	139,961	124,951	-	-
Water	-	-	939,126	866,085
Sewer	-	-	1,164,235	1,204,724
Storm water	-	-	222,317	112,636
Total expenses	<u>5,550,745</u>	<u>5,271,030</u>	<u>2,325,678</u>	<u>2,183,445</u>
Increase (decrease) in net position	21,084	422,895	306,252	499,193
Net position, beginning	12,973,215	12,550,320	8,425,891	7,926,698
Net position, ending	<u>\$ 12,994,299</u>	<u>\$ 12,973,215</u>	<u>\$ 8,732,143</u>	<u>\$ 8,425,891</u>

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, 2013, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,852,549. This represents an increase of \$193,633 (10%) 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 55% of total general fund revenues. The largest element is sales taxes, which represent 76% of total tax revenues and 42% of total General Fund revenues. This compares with 36% in the prior fiscal year ended June 30, 2012.

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 expenditures of \$463,509 due to fewer capital projects during the year.

Significant changes in business-type activities include a decrease in long-term debt of \$257,899 due to bond and capital lease principal payments.

GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS

The General Fund original budget for expenditures was \$5,013,382, which was decreased 8% to \$4,630,971 to reduce costs associated with street and park projects.

The Library Fund original budget for expenditures was \$580,034, which was increased 4% to \$605,269 to cover general operations.

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

Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – North Logan City’s investment in capital assets (net of accumulated depreciation) as of June 30, 2013, amounts to \$20,642,814. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The total increase in the City’s investment in fixed assets was .1% due to capital asset additions being greater than current year depreciation.

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

- \$ 180,580 for construction of infrastructure.
- \$ 292,491 for purchase of vehicles, equipment and building improvements.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 3,810,424	\$ 474,409
Buildings and equipment	6,649,006	1,344,503
Systems	14,737,865	13,658,373
Less: Accumulated depreciation	(13,245,205)	(6,786,561)
Total	\$ 11,952,090	\$ 8,690,724

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

Long-term debt – At June 30, 2013, the City had total bonded debt outstanding of \$2,026,540. Of this amount \$641,959 is considered to be general obligation debt and backed by the full faith and credit of the City and \$1,230,673 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations are \$153,908.

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ 434,000	\$ 207,959
Capital lease	119,699	34,209
Revenue bonds		1,230,673
Total outstanding debt	\$ 553,699	\$ 1,472,841

The City’s debt decreased by \$288,737 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 Position

As of June 30, 2013

	Governmental	Business-type	Memorandum Totals	
	Activities	Activities	2013	2012
ASSETS				
Current Assets:				
Cash & cash equivalents	\$ 1,284,723	\$ 415,367	\$ 1,700,090	\$ 2,585,030
Account receivable, net	1,414,687	226,190	1,640,877	1,512,766
Prepaid expense	83,808	-	83,808	35,647
Total current assets	<u>2,783,218</u>	<u>641,557</u>	<u>3,424,775</u>	<u>4,133,443</u>
Noncurrent assets:				
Other assets	-	-	-	47,971
Restricted assets:				
Cash	381,275	971,735	1,353,010	1,155,661
Capital assets:				
Land and water shares	3,810,424	474,409	4,284,833	4,284,833
Distribution and collection systems	14,737,865	13,658,373	28,396,238	27,637,114
Buildings and equipment	6,649,006	1,344,503	7,993,509	7,724,817
Less: Accumulated depreciation	(13,245,205)	(6,786,561)	(20,031,766)	(19,020,921)
Total noncurrent assets	<u>12,333,365</u>	<u>9,662,459</u>	<u>21,995,824</u>	<u>21,829,475</u>
Total assets	<u>15,116,583</u>	<u>10,304,016</u>	<u>25,420,599</u>	<u>25,962,918</u>
Deferred outflow of resources	-	15,953	15,953	19,208
Total assets and deferred outflows	<u>\$ 15,116,583</u>	<u>\$ 10,319,969</u>	<u>\$ 25,436,552</u>	<u>\$ 25,982,126</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Interfund payables	-	-	-	529,482
Accounts payable	191,430	66,211	257,641	291,653
Accrued expense	77,853	31,451	109,304	159,568
Deposits	19,038	-	19,038	10,564
Accrued interest payable	631	5,935	6,566	7,765
Bonds payable within one year	171,301	261,425	432,726	397,022
Total current liabilities	<u>460,253</u>	<u>365,022</u>	<u>825,275</u>	<u>1,396,054</u>
Noncurrent liabilities:				
Bonds and leases payable	382,398	1,211,416	1,593,814	1,918,255
Refunding bond premium	94,366	11,388	105,754	139,568
Accrued compensated absences	161,644	-	161,644	146,716
Total noncurrent liabilities	<u>638,408</u>	<u>1,222,804</u>	<u>1,861,212</u>	<u>2,204,539</u>
Deferred Inflows of Resources	1,023,623	-	1,023,623	982,427
Total liabilities & deferred inflows of resources	<u>2,122,284</u>	<u>1,587,826</u>	<u>3,710,110</u>	<u>4,583,020</u>
NET POSITION				
Net investment in capital assets	11,303,394	7,200,560	18,503,954	18,230,412
Restricted for:				
Debt service	-	271,741	271,741	271,565
Impact fees	343,810	699,994	1,043,804	842,404
State liquor funds	16,815	-	16,815	22,948
Grants and contributions	20,650	-	20,650	18,744
Unrestricted	1,309,630	559,848	1,869,478	2,013,033
Total net position	<u>\$ 12,994,299</u>	<u>\$ 8,732,143</u>	<u>\$ 21,726,442</u>	<u>\$ 21,399,106</u>

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

NORTH LOGAN CITY
Statement of Activities

For the Year Ended June 30, 2013

	Program Revenues					Net Governmental Activities	Business Type Activities	Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions			2013	2012
Governmental activities:									
General government	\$ 714,377	\$ 403,514	\$ -	\$ -	\$ -	\$ (310,863)	\$ -	\$ (310,863)	\$ (78,447)
Public Safety	2,002,493	395,979	-	19,951	7,134	(1,579,429)	-	(1,579,429)	(1,543,603)
Streets	892,732	-	-	303,698	66,071	(522,963)	-	(522,963)	(610,646)
Public works	47,268	-	-	-	-	(47,268)	-	(47,268)	(100,260)
Sanitation	716,766	751,244	-	-	-	34,478	-	34,478	29,747
Parks and recreation	1,037,148	59,192	508,840	133,085	164,802	(171,229)	-	(171,229)	363,074
Community development	139,961	-	-	-	-	(139,961)	-	(139,961)	(124,951)
Total governmental activities	<u>5,550,745</u>	<u>1,609,929</u>	<u>508,840</u>	<u>456,734</u>	<u>238,007</u>	<u>(2,737,235)</u>	<u>-</u>	<u>(2,737,235)</u>	<u>(2,065,086)</u>
Business-type activities:									
Water	939,126	1,073,739	-	-	177,360	-	311,973	311,973	418,528
Sewer	1,164,235	1,096,692	32,911	-	56,960	-	22,328	22,328	(1,581)
Storm water	222,317	184,703	-	-	-	-	(37,614)	(37,614)	64,040
Total business-type activities	<u>2,325,678</u>	<u>2,355,134</u>	<u>32,911</u>	<u>-</u>	<u>234,320</u>	<u>-</u>	<u>296,687</u>	<u>296,687</u>	<u>480,987</u>
General Revenues:									
Taxes:									
Property taxes levied for general purposes						637,299	-	637,299	510,709
Franchise taxes						19,140	-	19,140	19,571
General sales taxes & highway sales taxes						2,046,267	-	2,046,267	1,891,482
Business licenses						36,381	-	36,381	38,563
Gain (loss) on sale of assets						8,315	-	8,315	27,186
Investment income						10,917	9,565	20,482	18,676
Transfers						-	-	-	-
Total general revenues						<u>2,758,319</u>	<u>9,565</u>	<u>2,767,884</u>	<u>2,506,187</u>
Change in net position						<u>21,084</u>	<u>306,252</u>	<u>327,336</u>	<u>922,088</u>
Net position - beginning						12,973,215	8,425,891	21,399,106	20,477,018
Net position - ending						<u>\$ 12,994,299</u>	<u>\$ 8,732,143</u>	<u>\$ 21,726,442</u>	<u>\$ 21,399,106</u>

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

**NORTH LOGAN CITY
Balance Sheet**

As of June 30, 2013

	General	Library	Capital Projects	Nonmajor Governmental	Governmental Funds (memo)	
					2013	2012
ASSETS						
Cash & cash equivalents	\$ 369,353	\$ 134,132	\$ 721,130	\$ 60,108	\$ 1,284,723	\$ 1,358,956
Accounts receivable, net	922,460	416,334	-	75,893	1,414,687	1,302,599
Prepaid expense	83,808	-	-	-	83,808	35,647
Restricted cash	362,077	19,198	-	-	381,275	287,185
Total assets	<u>\$ 1,737,698</u>	<u>\$ 569,664</u>	<u>\$ 721,130</u>	<u>\$ 136,001</u>	<u>\$ 3,028,492</u>	<u>\$ 2,984,387</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE						
Liabilities:						
Accounts payable	\$ 173,374	\$ 18,056	\$ -	\$ -	\$ 191,430	\$ 203,434
Accrued expenses	71,165	6,688	-	-	77,853	129,046
Deposits	19,038	-	-	-	19,038	10,564
Total liabilities	<u>263,577</u>	<u>24,744</u>	<u>-</u>	<u>-</u>	<u>288,321</u>	<u>343,044</u>
Total def. inflows of resources	<u>531,396</u>	<u>416,334</u>	<u>-</u>	<u>75,893</u>	<u>1,023,623</u>	<u>982,427</u>
Total liabilities and deferred inflows of resources	<u>794,973</u>	<u>441,078</u>	<u>-</u>	<u>75,893</u>	<u>1,311,944</u>	<u>1,325,471</u>
Fund Balance:						
Non spendable	83,808	-	-	-	83,808	35,647
Restricted for:						
Park impact	226,100	-	-	-	226,100	194,423
Road impact	117,710	-	-	-	117,710	51,070
State liquor funds	16,815	-	-	-	16,815	22,948
Shop with a cop	1,452	-	-	-	1,452	3,090
Library	-	19,198	-	-	19,198	15,654
Assigned for:						
Equestrian Park	-	-	-	-	-	99
Little League	8,910	-	-	-	8,910	11,361
Cemetery	184,992	-	-	-	184,992	167,086
Junior Jazz	4,419	-	-	-	4,419	2,095
Sports	2,372	-	-	-	2,372	-
Wildland fires	77,056	-	-	-	77,056	-
Special revenue funds	-	109,388	-	60,108	169,496	122,123
Capital projects funds	-	-	721,130	-	721,130	844,756
Unassigned for: General Fund	219,091	-	-	-	219,091	188,564
Total fund balances	<u>942,725</u>	<u>128,586</u>	<u>721,130</u>	<u>60,108</u>	<u>1,852,549</u>	<u>1,658,916</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,737,698</u>	<u>\$ 569,664</u>	<u>\$ 721,130</u>	<u>\$ 136,001</u>		
Amounts reported for governmental activities in the statement of net position 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 \$25,197,295 and \$24,748,023, respectively and the accumulated depreciation is \$13,245,205 and \$12,586,481 respectively.						
					11,952,090	12,161,542
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.						
					(810,340)	(847,243)
Total net position-governmental activities					<u>\$ 12,994,299</u>	<u>\$ 12,973,215</u>

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

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

For the Year Ended June 30, 2013

	General	Library	Capital Projects	Nonmajor Governmental	Memorandum Totals Governmental Funds	
					2013	2012
Revenues:						
Taxes	\$ 2,702,706	\$ 432,947	\$ -	\$ 75,893	\$ 3,211,546	\$ 2,867,820
Licenses and permits	252,801	-	-	-	252,801	384,686
Intergovernmental revenue	418,918	13,685	-	-	432,603	392,072
Charges for services	1,374,187	-	-	-	1,374,187	1,783,821
Fines	124,457	9,274	-	-	133,731	175,254
Other	29,840	125,391	3,388	27	158,646	70,086
Total revenues	4,902,909	581,297	3,388	75,920	5,563,514	5,673,739
Expenditures:						
Current operations:						
General government	684,054	-	-	-	684,054	683,087
Public safety	1,844,485	-	136,755	-	1,981,240	2,249,529
Streets	631,025	-	105,440	-	736,465	775,089
Public works	47,268	-	-	-	47,268	100,260
Sanitation	716,766	-	-	-	716,766	700,635
Parks and recreation	481,954	435,606	-	-	917,560	1,053,720
Community development	124,149	-	-	15,812	139,961	124,951
Debt service:						
Principal	-	135,417	-	-	135,417	130,417
Interest	-	19,465	-	-	19,465	24,017
Total expenditures	4,529,701	590,488	242,195	15,812	5,378,196	5,841,705
Excess (deficiency) of revenues over expenditures	373,208	(9,191)	(238,807)	60,108	185,318	(167,966)
Other financing sources (uses):						
Sale of capital assets	8,315	-	-	-	8,315	150,573
Capital contributions	-	-	-	-	-	-
Transfers in (out)	(115,181)	-	115,181	-	-	(7,000)
Total other financing sources	(106,866)	-	115,181	-	8,315	143,573
Net change in fund balances	266,342	(9,191)	(123,626)	60,108	193,633	(24,393)
Fund balances, beginning of year	676,383	137,777	844,756	-	1,658,916	1,683,309
Fund balances, end of year	\$ 942,725	\$ 128,586	\$ 721,130	\$ 60,108	\$ 1,852,549	\$ 1,658,916

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

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, 2013

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

Net change in fund balances-total governmental funds	\$ 193,633
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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	334,551	
Loss on disposal of assets	-	
Depreciation expense	<u>(682,523)</u>	(347,972)

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	169,358	
Change in accrued interest payable	528	
Change in accrued compensated absences	(14,928)	
Amortization of bond issuance costs/refunding	<u>20,465</u>	<u>175,423</u>

Change in net position of governmental activities	<u>\$ 21,084</u>
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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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 524,969	\$ 511,705	\$ 532,195	\$ 20,490
Prior years' taxes-delinquent	32,028	36,785	36,785	-
General sales & use taxes	1,928,500	1,990,240	2,046,267	56,027
Franchise taxes	20,060	20,060	19,140	(920)
Fee-in-lieu of property taxes	86,045	86,045	68,319	(17,726)
Total taxes	<u>2,591,602</u>	<u>2,644,835</u>	<u>2,702,706</u>	<u>57,871</u>
Licenses & permits:				
Business licenses & permits	35,000	35,000	36,381	1,381
Building structures & equipment	180,000	210,000	212,708	2,708
Animal licenses	3,500	3,500	3,712	212
Total licenses & permits	<u>218,500</u>	<u>248,500</u>	<u>252,801</u>	<u>4,301</u>
Intergovernmental revenues:				
Public safety	23,134	24,627	25,929	1,302
State and other governmental grants	90,200	91,327	89,291	(2,036)
Class "C" road fund allotment	292,900	292,900	303,698	10,798
Total intergovernmental revenues	<u>406,234</u>	<u>408,854</u>	<u>418,918</u>	<u>10,064</u>
Charges for services:				
Zoning & subdivision fees	141,000	184,868	195,976	11,108
Sale of maps & publications	200	200	-	(200)
Public safety	326,458	352,169	383,155	30,986
Refuse collection charges	726,177	726,177	751,244	25,067
Cemetery fees	4,000	13,422	14,122	700
Parks and public property	21,100	34,620	29,690	(4,930)
Total charges for services	<u>1,218,935</u>	<u>1,311,456</u>	<u>1,374,187</u>	<u>62,731</u>
Fines & forfeitures:				
Fines	159,000	134,000	124,108	(9,892)
Forfeitures			349	349
Total fines & forfeitures	<u>159,000</u>	<u>134,000</u>	<u>124,457</u>	<u>(9,543)</u>
Miscellaneous revenue:				
Interest earnings	2,190	4,900	6,117	1,217
Rents & miscellaneous	19,000	23,814	23,723	(91)
Sale of materials & supplies	50,000	8,315	8,315	-
Total Miscellaneous revenue	<u>71,190</u>	<u>37,029</u>	<u>38,155</u>	<u>1,126</u>
Total Revenues	<u>\$ 4,665,461</u>	<u>\$ 4,784,674</u>	<u>\$ 4,911,224</u>	<u>\$ 126,550</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)
GENERAL FUND EXPENDITURES				
General government:				
Legislative	\$ 84,560	\$ 104,709	\$ 104,543	\$ 166
Judicial	151,939	176,671	192,895	(16,224)
Executive	98,765	96,265	94,480	1,785
Administrative	134,927	135,582	131,733	3,849
Non-departmental	174,469	159,473	150,781	8,692
Planning & zoning	10,053	9,505	9,622	(117)
Total general government	<u>654,713</u>	<u>682,205</u>	<u>684,054</u>	<u>(1,849)</u>
Public safety:				
Police department	1,038,949	1,058,365	1,055,023	3,342
Fire department	398,394	456,896	439,041	17,855
Protective inspection	317,671	308,670	306,535	2,135
Animal control	44,336	45,921	43,886	2,035
Total public safety	<u>1,799,350</u>	<u>1,869,852</u>	<u>1,844,485</u>	<u>25,367</u>
Streets & public improvements:				
Streets	811,470	599,800	631,025	(31,225)
Public works	134,574	47,274	47,268	6
Sanitation	660,000	660,000	716,766	(56,766)
Total streets & improvements	<u>1,606,044</u>	<u>1,307,074</u>	<u>1,395,059</u>	<u>(87,985)</u>
Parks, recreation & public property:				
Park & park areas	586,333	465,917	416,823	49,094
Recreation & culture	59,282	61,282	61,335	(53)
Cemetery	24,000	5,000	3,796	1,204
Total parks, recreation & public property	<u>669,615</u>	<u>532,199</u>	<u>481,954</u>	<u>50,245</u>
Community & economic development:				
Community planning	133,660	124,460	124,149	311
Transfers & other uses:				
Transfer to other funds	150,000	115,181	115,181	-
Total transfers & other uses	<u>150,000</u>	<u>115,181</u>	<u>115,181</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,013,382</u>	<u>4,630,971</u>	<u>4,644,882</u>	<u>(13,911)</u>
Net change in fund balance	(347,921)	153,703	266,342	112,639
Fund balance at beginning of year	676,383	676,383	676,383	-
Fund balance at end of year	<u>\$ 328,462</u>	<u>\$ 830,086</u>	<u>\$ 942,725</u>	<u>\$ 112,639</u>

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

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
LIBRARY FUND REVENUES				
Dedicated property taxes	\$ 437,370	\$ 424,355	\$ 432,947	\$ 8,592
Intergovernmental revenue	5,200	5,200	13,685	8,485
Fines	10,000	10,000	9,274	(726)
Other	127,465	127,765	125,391	(2,374)
Total revenues	<u>580,035</u>	<u>567,320</u>	<u>581,297</u>	<u>13,977</u>
LIBRARY FUND EXPENDITURES				
General operations	425,176	450,411	435,606	14,805
Debt service principal	135,000	135,000	135,417	(417)
Debt service interest	19,858	19,858	19,465	393
Total expenditures	<u>580,034</u>	<u>605,269</u>	<u>590,488</u>	<u>14,781</u>
Net change in fund balance	1	(37,949)	(9,191)	28,758
Fund balance at beginning of year	<u>137,777</u>	<u>137,777</u>	<u>137,777</u>	-
Fund balance at end of year	<u>\$ 137,778</u>	<u>\$ 99,828</u>	<u>\$ 128,586</u>	<u>\$ 28,758</u>

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

NORTH LOGAN CITY
Statement of Net Position – Proprietary Fund

As of June 30, 2013

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2013	2012
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 113,825	\$ -	\$ 301,542	\$ 415,367	\$ 1,226,074
Accounts receivable, net	108,013	101,889	16,288	226,190	210,167
Total current assets	221,838	101,889	317,830	641,557	1,436,241
Noncurrent assets:					
Other assets	-	-	-	-	36,981
Restricted cash	688,099	283,636	-	971,735	868,476
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	8,650,997	5,007,376	-	13,658,373	13,079,829
Buildings and equipment	812,270	367,813	164,420	1,344,503	1,344,503
Less accumulated depreciation	(4,033,068)	(2,695,946)	(57,547)	(6,786,561)	(6,434,440)
Total noncurrent assets	6,591,857	2,963,729	106,873	9,662,459	9,369,758
Deferred outflow of resources	15,953	-	-	15,953	19,127
TOTAL ASSETS AND DEF. OUTFLOW OF RESOURCES	6,829,648	3,065,618	424,703	10,319,969	10,825,126
LIABILITIES					
Current liabilities:					
Interfund payable/receivable	(608,677)	608,677	-	-	529,482
Accounts payable	57,323	4,055	4,833	66,211	88,219
Accrued payables	23,072	8,379	-	31,451	30,522
Accrued interest payable	717	5,218	-	5,935	6,606
Bonds payable - due within a year	165,000	62,216	34,209	261,425	256,994
Total current liabilities	(362,565)	688,545	39,042	365,022	911,823
Noncurrent liabilities:					
Bonds payable - due in more than one year	695,000	516,416	-	1,211,416	1,473,746
Bond premium on refunding	11,388	-	-	11,388	13,666
Total noncurrent liabilities	706,388	516,416	-	1,222,804	1,487,412
Total liabilities	343,823	1,204,961	39,042	1,587,826	2,399,235
NET POSITION					
Net investment in capital assets	5,031,653	2,096,243	72,664	7,200,560	6,769,397
Restricted for debt service	120,895	150,846	-	271,741	271,565
Restricted for impact fees	567,204	132,790	-	699,994	596,911
Unrestricted	766,073	(519,222)	312,997	559,848	788,018
Total net position	\$ 6,485,825	\$ 1,860,657	\$ 385,661	\$ 8,732,143	\$ 8,425,891

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

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

As of June 30, 2013

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2013	2012
OPERATING REVENUES:					
Charges for services	\$ 1,070,392	\$ 1,096,692	\$ 184,703	\$ 2,351,787	\$ 2,219,156
Impact fees	177,360	56,960	-	234,320	407,131
Other	3,347	-	-	3,347	5,234
Total operating revenues	1,251,099	1,153,652	184,703	2,589,454	2,631,521
OPERATING EXPENSES					
Wages and benefits	249,131	111,404	42,834	403,369	369,481
Professional fees	6,760	-	2,823	9,583	21,616
Disposal and treatment	-	765,661	-	765,661	854,157
Utilities	102,627	-	-	102,627	59,240
Repairs and maintenance	108,562	19,374	131,436	259,372	223,636
Other	140,990	92,323	19,721	253,034	164,952
Facilities	49,967	21,807	6,246	78,020	66,516
Depreciation/amortization	250,619	122,936	16,442	389,997	356,674
Total operating expenses	908,656	1,133,505	219,502	2,261,663	2,116,272
Operating income (loss)	342,443	20,147	(34,799)	327,791	515,249
NON-OPERATING REVENUES (EXPENSES)					
Interest income	7,998	-	1,567	9,565	11,206
Miscellaneous expense	(5,719)	-	-	(5,719)	(3,761)
Interest expense	(24,751)	(30,730)	(2,815)	(58,296)	(63,412)
Transfers in (out)	-	4,000	(4,000)	-	7,000
Property tax	-	32,911	-	32,911	32,911
Total non-operating revenue (expense)	(22,472)	6,181	(5,248)	(21,539)	(16,056)
Change in net position	319,971	26,328	(40,047)	306,252	499,193
Total net position - beginning	6,165,854	1,834,329	425,708	8,425,891	7,926,698
Total net position -ending	\$ 6,485,825	\$ 1,860,657	\$ 385,661	\$ 8,732,143	\$ 8,425,891

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

NORTH LOGAN CITY
Statement of Cash Flows – Proprietary Fund

For the Year Ended June 30, 2013

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,238,135	\$ 1,170,239	\$ 182,881	\$ 2,591,255	\$ 2,585,765
Payments to suppliers	(979,935)	(903,743)	(159,393)	(2,043,071)	(1,358,913)
Payments to employees	(249,131)	(111,404)	(42,834)	(403,369)	(369,481)
Net cash provided by operating activities	<u>9,069</u>	<u>155,092</u>	<u>(19,346)</u>	<u>144,815</u>	<u>857,371</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(165,000)	(60,071)	(32,828)	(257,899)	(248,551)
Interest paid on capital debt	(24,751)	(30,730)	(2,815)	(58,296)	(63,412)
Purchases of capital assets	(414,034)	(164,510)	-	(578,544)	(18,000)
Net cash used by capital and related financing activities	<u>(603,785)</u>	<u>(222,400)</u>	<u>(35,643)</u>	<u>(861,828)</u>	<u>(297,052)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>7,998</u>	<u>-</u>	<u>1,567</u>	<u>9,565</u>	<u>11,206</u>
Net cash provided by investing activities	<u>7,998</u>	<u>-</u>	<u>1,567</u>	<u>9,565</u>	<u>11,206</u>
Net increase (decrease) in cash and cash equivalents	(586,718)	(67,308)	(53,422)	(707,448)	571,525
Cash and equivalents at beginning of year	<u>1,388,642</u>	<u>350,944</u>	<u>354,964</u>	<u>2,094,550</u>	<u>1,523,025</u>
Cash and equivalents at end of year	<u>\$ 801,924</u>	<u>\$ 283,636</u>	<u>\$ 301,542</u>	<u>\$ 1,387,102</u>	<u>\$ 2,094,550</u>

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

NORTH LOGAN CITY
Statement of Cash Flows – Proprietary Fund

Continued

net cash provided by operating activities:

Operating income	\$ 342,443	\$ 20,147	\$ (34,799)	\$ 327,791	\$ 515,249
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation	250,619	122,936	16,442	389,997	356,674
Changes in assets & liabilities:					
Decrease (increase) in receivables	(7,223)	(6,978)	(1,822)	(16,023)	(45,756)
Decrease (increase) in interfund receivables	(608,677)	79,196	-	(529,481)	-
Increase (decrease) in accruals	37,626	(64,209)	4,833	(21,750)	27,965
Miscellaneous expense/transfers	(5,719)	4,000	(4,000)	(5,719)	3,239
Total adjustments	<u>(333,374)</u>	<u>134,945</u>	<u>15,453</u>	<u>(182,976)</u>	<u>342,122</u>
Net cash provided (used) by operating activities:	<u>\$ 9,069</u>	<u>\$ 155,092</u>	<u>\$ (19,346)</u>	<u>\$ 144,815</u>	<u>\$ 857,371</u>

Non cash transactions:

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

June 30, 2013

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 North Logan. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by North Logan City, with North Logan's share being billed monthly. Police services are provided by North Logan, with North Logan 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 North Logan children to use the North Logan Library. Another \$10,000 per year is paid by donations to allow North Logan 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.

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, 2013. 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 position are available.

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

Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. The Library Fund is shown as a major Special Revenue Fund.

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.

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 position.

The governmental funds type balance sheet includes reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position 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 position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 25,197,295
Accumulated depreciation	(13,245,205)
Total difference	\$ 11,952,090

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	\$ (553,699)
Accrued interest payable	(631)
Deferred amount on refunding	(94,366)
Compensated absences	(161,644)
	\$ (810,340)

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 position 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	\$ 334,551
Loss on disposal of fixed assets	-
Depreciation expense	(682,523)
Net difference as reported	\$ (347,972)

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 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	\$	135,000
Repayment of capital lease principal		34,358
Change in accrued compensated absences		(14,928)
Change in accrued interest payable		528
Amortization of bond issuance costs		20,465
	<u>\$</u>	<u>175,423</u>

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/ expenditure) until then. The City reports the deferred charge \$15,953 on refunding reported in the government-wide statement of net position. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports one of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide of net position.

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, 2013, \$0 of the City’s bank balances of \$202,256 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.

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, 2013, the City had investments of \$3,082,619 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.

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

4. ACCOUNTS RECEIVABLE

The City has accounts receivable as of June 30, 2013, as follows:

Property tax	\$ 1,065,298
Sales tax	145,818
Sewer	101,889 (net of \$9,957 allowance)
Garbage and Dispatch fee	72,696 (net of \$7,504 allowance)
Class C Road funds	65,043
Water	108,013 (net of \$9,726 allowance)
Court	5,178 (net of \$100,883 allowance)
Other receivables	39,986
Energy Use tax	20,668
Storm water	16,288 (net of \$1,674 allowance)
	<hr/>
Total	<u><u>\$ 1,640,877</u></u>

5. INSURANCE & BOND COVERAGE

As of June 30, 2013, 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	7/1/13
Automobiles-liability	Utah Local Governments Trust	\$ 5,000,000	7/1/13
Buildings & contents	Utah Local Governments Trust	\$ 12,702,255	7/1/13
Mayor & Treasurer	Western Surety	\$ 429,710	6/26/14
Bonds			
Blanket employee bond	Allied Insurance	\$ 10,000	4/1/14
Public Official bond	Allied Insurance	\$ 40,000	2/1/14
Treasurer position bond	Hartford	\$ 346,000	11/26/13

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. LONG-TERM DEBT

Long-term debt at June 30, 2013, consists of the following:

Water fund:	<u>7/1/12</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/13</u>	<u>Due in 1 yr</u>
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%.	\$ 1,025,000	-	\$165,000	<u>\$ 860,000</u>	<u>\$ 165,000</u>
Total water fund				<u>860,000</u>	<u>165,000</u>
Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including int. at 5%	409,124	-	38,451	370,673	39,738
GMAC; \$560,000 due in monthly installments of \$32,911 including int. at 5%	229,579	-	21,620	<u>207,959</u>	<u>22,478</u>
Total sewer fund				<u>578,632</u>	<u>62,216</u>
Storm water fund:					
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.	67,037	-	32,828	<u>34,209</u>	<u>34,209</u>
Total storm water fund				<u>34,209</u>	<u>34,209</u>
Library fund:					
US bank \$1,065,000 due in annual installments ranging from \$118,000 to \$150,000 plus interest of 3.49%.	569,000	-	135,000	<u>434,000</u>	<u>140,000</u>
Total library fund				<u>434,000</u>	<u>140,000</u>
General Fund:					
Capital lease; \$138,520 due in annual installments of \$26,124-\$29,330 including interest of 2.93%. Asset value \$138,520 with acc. depr. of \$13,852 and depr. of \$13,852.		138,520	29,330	109,190	26,124
Capital lease; \$33,221 due in annual installments of \$5,491-\$9,200 including interest of 2.98%. Asset value \$33,221 with acc. depr. of \$18,825 and depr. of \$6,644.	15,537	-	5,028	<u>10,509</u>	<u>5,177</u>
Total general fund				<u>119,699</u>	<u>31,301</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

6. 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, 2013, are as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2014	\$ 432,726	\$ 66,019
2015	411,647	54,009
2016	416,478	42,153
2017	275,838	29,199
2018	256,075	20,274
2019	79,998	10,955
2020	153,778	5,485
Totals	<u>\$ 2,026,540</u>	<u>\$ 228,094</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, 2013

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

7. 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 for Employee</u>	<u>Employer</u>
Local Gov't Contributory Tier 1	6.00	12.03
Local Gov't Contributory Tier 2	n/a	12.74
Local Gov't Noncontributory Tier 1	n/a	16.04
Public Safety Contributory Tier 1	12.29	22.34
Public Safety Noncontributory Tier 1	n/a	33.65
Firefighter Tier 1	15.05	2.66

<u>Contributions</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Local Gov't Contributory Tier 1 & 2	\$ 22,536	\$ 17,100	\$ 11,267
Local Gov't Noncontributory Tier 1	163,659	139,335	143,664
Public Safety Contributory Tier 1	75,920	66,699	64,524
Public Safety Noncontributory Tier 1	34,233	29,002	28,061
Firefighter Tier 1	17,920	15,565	16,182

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 2013 totaled \$40,640.

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

8. CHANGES IN FIXED ASSETS

General fixed asset changes occurring for the year ended June 30, 2013, are as follows:

	<u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2013</u>
Land and water shares	\$ 3,810,424	\$ -	\$ -	\$ 3,810,424
Buildings	2,344,437	127,654	-	2,472,091
Library	343,575	-	-	343,575
Police	359,346	71,882	23,799	407,429
Fire	1,390,102	32,315	-	1,422,417
Streets	713,557	143,521	-	857,078
Parks	690,464	133,037	-	823,501
Facilities	73,529	-	-	73,529
Inspection	103,151	-	-	103,151
Administrative	30,052	-	-	30,052
Executive	47,220	-	-	47,220
Planner	5,930	-	-	5,930
Cemetery	63,033	-	-	63,033
Construction in progress	215,918	-	215,918	-
Road system	14,557,285	180,580	-	14,737,865
Total assets	<u>24,748,023</u>	<u>688,989</u>	<u>239,717</u>	<u>25,197,295</u>
Accumulated depreciation	<u>(12,586,481)</u>	<u>(682,523)</u>	<u>(23,799)</u>	<u>(13,245,205)</u>
Net assets	<u>\$ 12,161,542</u>	<u>\$ 6,466</u>	<u>\$ 215,918</u>	<u>\$ 11,952,090</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,395
Public safety	130,478
Streets	415,534
Parks & recreation	121,116
	<u>\$ 682,523</u>

NORTH LOGAN CITY
Notes to the Financial Statements

Continued

8. CHANGES IN FIXED ASSETS - continued

Enterprise fund changes were as follows:

	<u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2013</u>
Water:				
Land and water shares	\$ 473,559	\$ -	\$ -	\$ 473,559
System	8,236,963	414,034	-	8,650,997
Buildings & equipment	812,270	-	-	812,270
Accumulated depreciation	<u>(3,820,326)</u>	<u>(212,742)</u>	-	<u>(4,033,068)</u>
Net position	<u>\$ 5,702,466</u>	<u>\$ 201,292</u>	<u>\$ -</u>	<u>\$ 5,903,758</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	4,842,866	164,510	-	5,007,376
Equipment	367,813	-	-	367,813
Accumulated depreciation	<u>(2,573,009)</u>	<u>(122,937)</u>	-	<u>(2,695,946)</u>
Net position	<u>\$ 2,638,520</u>	<u>\$ 41,573</u>	<u>\$ -</u>	<u>\$ 2,680,093</u>
Storm water:				
Equipment	\$ 164,420	\$ -	\$ -	\$ 164,420
Accumulated depreciation	<u>(41,105)</u>	<u>(16,442)</u>	-	<u>(57,547)</u>
Net position	<u>\$ 123,315</u>	<u>\$ (16,442)</u>	<u>\$ -</u>	<u>\$ 106,873</u>

9. 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	\$ 801,924	\$ 283,636	\$ 301,542
Receivables	108,013	101,889	16,288
Current liabilities			
Accounts payable	(80,395)	(621,111)	(4,833)
Accrued interest	(717)	(5,218)	-
Current portion long-term debt	<u>(165,000)</u>	<u>(62,216)</u>	<u>(34,209)</u>
Net working capital	<u>\$ 663,825</u>	<u>\$ (303,020)</u>	<u>\$ 278,788</u>

10. RISK MANAGEMENT

In addition to the insurance coverage in Note 5, 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.

11. 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 \$193,095 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 \$395,272. Based on past experience 20% of sick hours would be used in a year.

12. OPERATING LEASES

The City has various operating leases for equipment and vehicles and paid \$29,257 in rental payments for the year. The future payments are as follows:

2014	\$ 35,819
2015	11,084
2016	9,553
2017	<u>398</u>
Total	<u>\$ 56,854</u>

13. 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.

14. PRIOR PERIOD ADJUSTMENT

Implementation of GASB Statement No. 63 and GASB Statement No. 65

In fiscal year 2012-2013, the City implemented *GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and early implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. As a result, we have deleted the unamortized bond issuance costs for both governmental activities at the government wide level and the fund level, by adjusting all periods affected. In addition there are numerous terminology changes throughout the financial section of this report. These classification changes do not require a prior period adjustment.

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SUPPLEMENTAL SECTION

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NORTH LOGAN CITY
Nonmajor Proprietary Funds Combining
Statement of Net Position

As of June 30, 2013

	Storm water	Total Nonmajor Proprietary	
		2013	2012
ASSETS			
Cash and cash equivalents	\$ 301,542	\$ 301,542	\$ 354,964
Accounts receivable	16,288	16,288	14,466
Total current assets	<u>317,830</u>	<u>317,830</u>	<u>369,430</u>
Capital assets			
Buildings and equipment	164,420	164,420	164,420
Less accumulated depreciation	<u>(57,547)</u>	<u>(57,547)</u>	<u>(41,105)</u>
Total noncurrent assets	<u>106,873</u>	<u>106,873</u>	<u>123,315</u>
Total assets	<u><u>\$ 424,703</u></u>	<u><u>\$ 424,703</u></u>	<u><u>\$ 492,745</u></u>
LIABILITIES & NET POSITION			
Liabilities:			
Accounts payable	\$ 4,833	\$ 4,833	\$ -
Bonds payable - due within a year	<u>34,209</u>	<u>34,209</u>	<u>32,828</u>
Total current liabilities	<u>39,042</u>	<u>39,042</u>	<u>32,828</u>
Noncurrent liabilities:			
Bonds payable - due in more than one year	<u>-</u>	<u>-</u>	<u>34,209</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>34,209</u>
Total liabilities	<u>39,042</u>	<u>39,042</u>	<u>67,037</u>
NET POSITION			
Net investment in capital assets	72,664	72,664	56,278
Unrestricted	<u>312,997</u>	<u>312,997</u>	<u>369,430</u>
Total net position	<u>385,661</u>	<u>385,661</u>	<u>425,708</u>
Total liabilities & net position	<u><u>\$ 424,703</u></u>	<u><u>\$ 424,703</u></u>	<u><u>\$ 492,745</u></u>

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

For the Year Ended June 30, 2013

	Storm Water	Total Nonmajor Proprietary	
		2013	2012
OPERATING REVENUES			
Charges for services	\$ 184,703	\$ 184,703	\$ 176,676
Total operating revenues	184,703	184,703	176,676
OPERATING EXPENSES			
Wages and benefits	42,834	42,834	36,127
Professional fees	2,823	2,823	8,214
Repairs and maintenance	131,436	131,436	35,978
Other	19,721	19,721	3,803
Facilities	6,246	6,246	7,934
Depreciation	16,442	16,442	16,442
Total operating expenses	219,502	219,502	108,498
Operating income (loss)	(34,799)	(34,799)	68,178
NON-OPERATING EXPENSES			
Interest income	1,567	1,567	2,182
Interest expense	(2,815)	(2,815)	(4,138)
Transfers	(4,000)	(4,000)	(4,000)
Total non-operating expenses	(5,248)	(5,248)	(5,956)
Change in net position	(40,047)	(40,047)	62,222
Net position-beginning	425,708	425,708	363,486
Net position-ending	\$ 385,661	\$ 385,661	\$ 425,708

NORTH LOGAN CITY
Nonmajor Proprietary Funds Combining
Statement of Cash Flows

For the Year Ended June 30, 2013

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 182,881	\$ 182,881	\$ 177,391
Payments to suppliers	(159,393)	(159,393)	(61,880)
Payments to employees	(42,834)	(42,834)	(36,127)
Net cash provided by operating activities	(19,346)	(19,346)	79,384
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(32,828)	(32,828)	(31,505)
Interest paid on capital debt	(2,815)	(2,815)	(4,138)
Purchases of capital assets	-	-	-
Net cash used by capital and related financing activities	(35,643)	(35,643)	(35,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,567	1,567	2,182
Net cash provided by investing activities	1,567	1,567	2,182
Net increase in cash and cash equivalents	(53,422)	(53,422)	45,923
Cash and equivalents at beginning of year	354,964	354,964	309,041
Cash and equivalents at end of year	\$ 301,542	\$ 301,542	\$ 354,964
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (34,799)	\$ (34,799)	\$ 68,178
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	16,442	16,442	16,442
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	(1,822)	(1,822)	715
Increase (decrease) in accruals	4,833	4,833	(1,951)
Total adjustments	15,453	15,453	11,206
Net cash provided (used) by operating activities:	\$ (19,346)	\$ (19,346)	\$ 79,384

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Logan, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of North Logan, Utah’s basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of North Logan, Utah’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of North Logan, Utah’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of North Logan, Utah’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of North Logan, Utah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1.

City of North Logan, Utah's Response to Findings

City of North Logan, Utah's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of North Logan, Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

ALLRED JACKSON

North Logan, UT
December 16, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE
*STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE***

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

REPORT ON COMPLIANCE

We have audited the City of North Logan, Utah 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, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact fees
- Utah Retirement Systems
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance 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 and the *State of Utah Legal Compliance Audit Guide* 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 City and its major programs occurred. 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 of the City's compliance with those requirements.

Opinion

In our opinion, the City of North Logan, Utah, complied in all material respect, with the general compliance requirements identified above and the compliance requirements that applicable to each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2013-3 and 2013-4.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as items 2013-1 to be significant deficiencies.

City of North Logan, Utah's Response to Findings

North Logan City's responses to the findings identified in our audit are described in the accompanying letter to management. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

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

ALLRED JACKSON

Logan, UT
December 16, 2013

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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December 16, 2013

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Logan, Utah as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered City of North Logan, Utah's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Logan, Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Logan, Utah's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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. We consider the following deficiencies in City of North Logan, Utah's internal control to be significant deficiencies:

CURRENT YEAR FINDINGS

Finding 2013-1: *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. This occurred with multiple City employees. The missing receipts were approximately \$2,400, most of them for the Library.

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 to all department heads and all employees, the specific requirement that all receipts be turned into Accounts Payable. If an employee fails to provide documentation Accounts Payable will notify their department head and the treasurer. If an employee fails to provide documentation repeatedly then management will consider removing the employees' credit card privileges and any other necessary actions.

Finding 2013-2: *Audit Adjustments (significant deficiency)*

While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, capital lease 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, capital lease 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.

Finding 2013-3: *Budgetary Compliance (State Compliance)*

During our review of the budget to actual for the departments of the City, we became aware that the general fund and storm water fund's actual expenditures exceeded the appropriations.

Recommendation:

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

Management response:

Judicial: Actual expenditures exceeded the final budget by \$16,223. Actual expenditures exceeded the Final Budget approved in mid-June which did not adequately estimate mainly wages & benefits & victim reparations which were paid after year end. Management will work more closely with the court each month, and especially as the fiscal year-end comes to a close.

Streets: Actual expenditures exceeded the final budget by \$31,225. This was due to not anticipating a final contract payment for Road Surface Treatment. Management will work with the Streets Department as the fiscal year-end comes to a close to include the appropriate amount in the final budget.

Sanitation: Actual expenditures exceeded the final budget by \$56,766. This was mainly due to increases in garbage collection service and costs. Actual expenditures exceeded the Final Budget approved in mid-June which did not adequately estimate accrued Fees which were paid after year end. Management will work with the Treasurer as the fiscal year-end comes to a close to include the appropriate amount in the final budget.

Storm Water: Actual expenditures exceeded the final budget by \$47,832. This was due to not adequately anticipating payment for Storm Water improvements. Management will work with the Streets Department as the fiscal year-end comes to a close to include the appropriate amount in the final budget.

Finding 2013-4: *Deposit and Investment Report Form (state compliance)*

The City did not include all escrow accounts that the City owns on the Deposit and Investment Report Form.

Recommendation:

Reconcile all cash accounts on the financial statements to the Deposit and Investment Report Form for completeness prior to filing the report with the Money Management Council.

Management response:

After some interaction with other Treasurer's several years back, the Treasurer's understanding was that the Debt Escrow accounts did not need to be included on the Deposit and Investment Report Form. With the clarification from this finding, the Treasurer will again put these accounts on the Deposit and Investment Report Form.

PRIOR YEAR FINDINGS

Finding 2012-1: *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. This occurred with multiple City employees.

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 to all department heads and all employees, the specific requirement that all receipts be turned into Accounts Payable. If an employee fails to provide documentation Accounts Payable will notify their department head and the treasurer. If an employee fails to provide documentation repeatedly then management will consider removing the employees' credit card privileges and any other necessary actions.

Status:

This is a repeat finding for the current year.

Finding 2012-2: *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.

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 \$15,548. Actual expenditures exceeded the Final Budget approved in mid-June which did not adequately estimate accrued Legal Fees, Wages and Victim Reparations which were paid after year end. Management will work more closely with the court each month, and especially as the fiscal year-end comes to a close.

Non-Departmental: Actual expenditures exceeded the final budget by \$12,045. This was due to not anticipating the non-budgeted Bad Debt expense (\$12,416). Management will work with the Treasurer as the fiscal year-end comes to a close to include the appropriate amount in the final budget.

Public Works: Actual expenditures exceeded the final budget by \$1,905. Public Works is a new department and the Final Budget approved in mid-June did not adequately estimate Wage and Benefits. Management will work more closely with the Department to include the appropriate amount in the final budget.

Sanitation: Actual expenditures exceeded the final budget by \$40,635. This was mainly due to increases in garbage collection service and costs. Actual expenditures exceeded the Final Budget approved in mid-June which did not adequately estimate accrued Fees which were paid after year end. Management will work with the Treasurer as the fiscal year-end comes to a close to include the appropriate amount in the final budget.

Status:

This is a repeat finding for the current year.

Finding 2012-3: *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, 2010, and has helped reduce the deficit each subsequent year. It will be several more years before the deficit balance is completely eliminated.

Status:

The State no longer requires this item to be tested.

Finding 2012-4: *Court reporting and Building permit report (state compliance)*

The City did not remit one of the monthly court reports and one of the quarterly building permit reports within the timeframe given by the State of Utah.

Recommendation:

Implement a procedure to insure that all court reports are remitted to the State of Utah by the 10th of the following month and all building reports are remitted to the Division of Occupational and Professional Licensing no later than 30 days following the end of the quarter.

Management response:

If the court report is not received by North Logan by the 4th 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 10th of each month.

If the building permit report is not received by the 15th of the month following the end of the quarter, Accounts Payable will contact the City Recorder to obtain the report for processing and assure that the report is mailed to the Division of Occupational and Professional Licensing no later than the 30th of the month following the end of the quarter.

Status:

The State no longer requires this item to be tested.

Finding 2012-5: *Property tax (state compliance)*

Budgeted revenue column in the TC-693 Tax Rate Summary should match the amounts of the City's adopted budget. The City's adopted budget was approximately \$26,000 higher than the Tax Rate Summary.

Recommendation:

Review the adopted budget to ensure that the amount of the budgeted tax revenues match the TC-693 Tax Rate Summary.

Management response:

The budget should have matched the Certified Tax Rate (\$969,269), however the formula for Account 10-310-100 in our Excel sheet incorrectly added (\$25,981 – Library share of delinquent taxes) instead of deducting it. The number for 10-310-100 should have been \$943,288 (\$969,269 - \$25,981) and NOT \$995,250 (\$969,269 + \$25,981). Management will take care to ensure that the amount of the budgeted tax revenues match the TC-693 Tax Rate Summary.

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.

Status:

The State no longer requires this item to be tested.

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 2013 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

A handwritten signature in black ink that reads "Diana Cannell". The signature is written in a cursive, flowing style with a large initial "D".

Diana Cannell, CPA

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