



**FINANCIAL STATEMENTS**

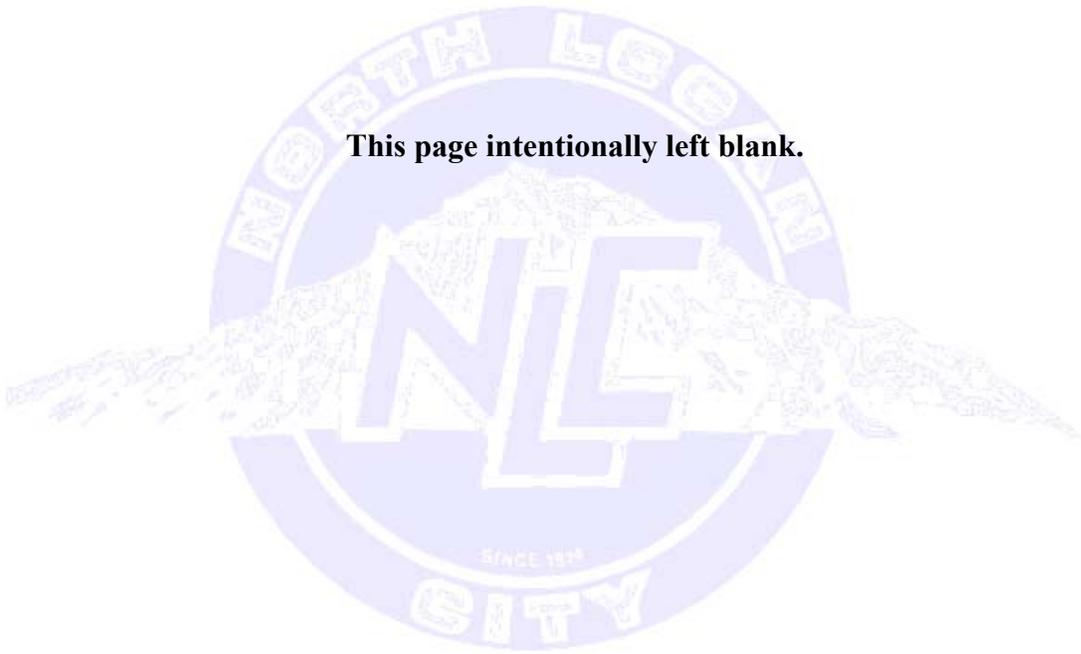
**FOR THE YEAR ENDED  
JUNE 30, 2014**



## TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of transmittal	3
<b>FINANCIAL SECTION:</b>	
Independent Auditor's Report	7
Management's Discussion and Analysis	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet- Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	24
Statement of Net Position- Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Notes to Financial Statements	29
<b>SUPPLEMENTAL INFORMATION:</b>	
Combining Statement of Net Position – Nonmajor Proprietary Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position – Nonmajor Proprietary Funds	50
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	51
Report on Compliance and Internal Control	53
State Legal Compliance Report	55
Schedule of Findings and Recommendations	61

**This page intentionally left blank.**



## **INTRODUCTORY SECTION**

**This page intentionally left blank.**

# CITY OF NORTH LOGAN

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

LLOYD BERENTZEN  
MAYOR

JEFFERY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR

November 10, 2014

North Logan City Council  
North Logan, Utah

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2014, 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, 2014, 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 the 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, 2014, were 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, 2014, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section in 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**

**This page intentionally left blank.**



## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council of  
North Logan City, 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 North Logan City, Utah (the City), as of and for the year ended June 30, 2014, 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 North Logan City, Utah, as of June 30, 2014, 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 North Logan City, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, sweeping initial 'A'.

North Logan, UT  
November 10, 2014

**This page intentionally left blank.**

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

**For the Year Ended June 30, 2014**

---

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, 2014.

**FINANCIAL HIGHLIGHTS**

- The total net position of North Logan City increased 7.3% to \$23,302,951.
- The total net position of \$23,302,951 was made up of \$20,768,107 in capital assets net of related debt and \$2,534,844 in other net position.
- In the General Fund, revenues exceeded expenditures by \$507,470 before other financing sources and uses.
- Total long-term debt of the City was reduced by \$432,019.
- Business-type activities' total net position increased \$499,787.

**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 and can be found on pages 17 and 18 of this report.

- 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).

## **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 how 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 exceeded liabilities by \$23,302,951.

The greatest portion of North Logan City's net position (89%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire such 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 such debt must be provided by 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	
	2014	2013	2014	2013
Current and other assets	\$ 2,969,679	\$ 3,164,493	\$ 1,495,338	\$ 1,613,292
Capital assets	13,260,597	11,952,090	9,179,788	8,690,724
Deferred outflow of resources	-	-	13,043	15,953
Total assets and def. outflows	16,230,276	15,116,583	10,688,169	10,319,969
Long-term debt outstanding	382,398	553,699	1,212,123	1,472,841
Other liabilities	753,234	544,962	244,116	114,985
Deferred inflow of resources	1,023,623	1,023,623	-	-
Total liabilities and def. inflows	2,159,255	2,122,284	1,456,239	1,587,826
Net position				
Net investment in capital assets	12,814,860	11,303,394	7,953,247	7,200,560
Restricted	970,100	381,275	534,338	971,735
Unrestricted	286,061	1,309,630	744,345	559,848
Total net position	<u>\$ 14,071,021</u>	<u>\$ 12,994,299</u>	<u>\$ 9,231,930</u>	<u>\$ 8,732,143</u>

**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Revenues:				
Program revenues:				
Charges for services	\$ 1,693,413	\$ 1,609,929	\$ 2,408,350	\$ 2,355,134
Dedicated property tax	694,840	508,840	32,911	32,911
Operating grants & contributions	491,507	456,734	-	-
Capital grants & contributions	1,098,677	238,007	355,391	234,320
General revenues:				
Property taxes	646,616	637,299	-	-
Other taxes	2,656,164	2,600,055	-	-
Investment income	8,832	10,917	5,844	9,565
Other revenues	45,494	44,696	-	-
Total revenues	<u>7,335,543</u>	<u>6,106,477</u>	<u>2,802,496</u>	<u>2,631,930</u>
Expenses:				
General government	712,927	714,377	-	-
Public Safety	1,896,882	2,002,493	-	-
Streets	1,555,882	1,427,380	-	-
Public works	35,771	47,268	-	-
Sanitation	727,788	716,766	-	-
Parks & recreation	1,036,197	1,037,148	-	-
Community development	293,374	139,961	-	-
Water	-	-	932,953	939,126
Sewer	-	-	1,190,274	1,164,235
Storm water	-	-	179,482	222,317
Total expenses	<u>6,258,821</u>	<u>6,085,393</u>	<u>2,302,709</u>	<u>2,325,678</u>
Increase (decrease) in net position	1,076,722	21,084	499,787	306,252
Net position, beginning	12,994,299	12,973,215	8,732,143	8,425,891
Net position, ending	<u>\$ 14,071,021</u>	<u>\$ 12,994,299</u>	<u>\$ 9,231,930</u>	<u>\$ 8,732,143</u>

## **FINANCIAL ANALYSIS OF GOVERNMENTAL 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, 2014, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,413,698. This represents a decrease of \$438,851 (24%) 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 greatest source of revenue in the General Fund and represented 58% of total general fund revenues. The largest element was sales taxes, which represented 64% of total tax revenues and 37% of total General Fund revenues. This compares with 42% in the prior fiscal year ended June 30, 2013.

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, in much more detail, as that provided in the government-wide financial statements.

Significant changes in the governmental funds included an increase of expenditures of \$1,862,746 due to an increase in capital projects during the year.

Significant changes in business-type activities included a decrease in long-term debt of \$260,718 due to bond and capital lease principal payments.

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

The General Fund original budget for expenditures was \$4,816,679, which increased 5.4% to \$5,074,730 due to increased costs associated with sanitation and public safety.

The Library Fund original budget for expenditures was \$602,414, which was increased 10% to \$662,421 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, 2014, totaled \$22,440,385. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The City’s investment in fixed assets increased by 9% due to capital asset additions being greater than current year depreciation.

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

- \$ 169,146 for construction of infrastructure.
- \$ 1,192,317 for building improvements.
- \$ 797,282 for water improvements.
- \$ 587,646 for park improvements.

NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land & water shares	\$ 3,810,424	\$ 474,409
Buildings and equipment	8,521,097	1,362,503
Systems	14,907,011	14,483,601
Less: Accumulated depreciation	(13,977,935)	(7,140,725)
Total	\$ 13,260,597	\$ 9,179,788

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

*Long-term debt* – At June 30, 2014, the City had total bonded debt outstanding of \$1,506,123. Of this amount \$479,588 is considered to be general obligation debt and backed by the full faith and credit of the City and \$1,026,535 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). Capital lease obligations were \$88,398.

NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
General obligation bonds-water, sewer, library, and roads	\$ 294,000	\$ 185,588
Capital lease	88,398	-
Revenue bonds		1,026,535
Total outstanding debt	\$ 382,398	\$ 1,212,123

The City’s debt decreased by \$432,019 during the fiscal year. See the footnotes for additional information on the debt obligations of the City.

**NORTH LOGAN CITY**  
**Statement of Net Position**

**As of June 30, 2014**

	Governmental	Business-type	Memorandum Totals	
	Activities	Activities	2014	2013
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 602,398	\$ 730,178	\$ 1,332,576	\$ 1,700,090
Account receivable, net	1,356,354	230,822	1,587,176	1,640,877
Prepaid expense	40,827	-	40,827	83,808
Total current assets	<u>1,999,579</u>	<u>961,000</u>	<u>2,960,579</u>	<u>3,424,775</u>
Noncurrent assets:				
Restricted assets:				
Cash	970,100	534,338	1,504,438	1,353,010
Capital assets:				
Land and water shares	3,810,424	474,409	4,284,833	4,284,833
Distribution and collection systems	14,907,011	14,483,601	29,390,612	28,396,238
Buildings and equipment	8,521,097	1,362,503	9,883,600	7,993,509
Less: Accumulated depreciation	(13,977,935)	(7,140,725)	(21,118,660)	(20,031,766)
Total noncurrent assets	<u>14,230,697</u>	<u>9,714,126</u>	<u>23,944,823</u>	<u>21,995,824</u>
Total assets	<u>16,230,276</u>	<u>10,675,126</u>	<u>26,905,402</u>	<u>25,420,599</u>
Deferred outflow of resources	-	13,043	13,043	15,953
Total assets and deferred outflows	<u>\$ 16,230,276</u>	<u>\$ 10,688,169</u>	<u>\$ 26,918,445</u>	<u>\$ 25,436,552</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>				
Current liabilities:				
Accounts payable	\$ 408,394	\$ 197,360	\$ 605,754	\$ 257,641
Accrued expense	103,968	32,338	136,306	109,304
Deposits	19,996	-	19,996	19,038
Accrued interest payable	428	5,307	5,735	6,566
Bonds payable within one year	176,223	235,424	411,647	432,726
Total current liabilities	<u>709,009</u>	<u>470,429</u>	<u>1,179,438</u>	<u>825,275</u>
Noncurrent liabilities:				
Bonds and leases payable	206,175	976,699	1,182,874	1,593,814
Refunding bond premium	62,911	9,111	72,022	105,754
Accrued compensated absences	157,537	-	157,537	161,644
Total noncurrent liabilities	<u>426,623</u>	<u>985,810</u>	<u>1,412,433</u>	<u>1,861,212</u>
Deferred Inflows of Resources	1,023,623	-	1,023,623	1,023,623
Total liabilities & deferred inflows of resources	<u>2,159,255</u>	<u>1,456,239</u>	<u>3,615,494</u>	<u>3,710,110</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,814,860	7,953,247	20,768,107	18,503,954
Restricted for:				
Debt service	-	287,546	287,546	271,741
Impact fees/park projects	941,102	246,792	1,187,894	1,043,804
State liquor funds	18,300	-	18,300	16,815
Grants and contributions	10,698	-	10,698	20,650
Unrestricted	286,061	744,345	1,030,406	1,869,478
Total net position	<u>\$ 14,071,021</u>	<u>\$ 9,231,930</u>	<u>\$ 23,302,951</u>	<u>\$ 21,726,442</u>

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

**For the Year Ended June 30, 2014**

	Program Revenues					Net Governmental Activities	Business Type Activities	Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions			2014	2013
Governmental activities:									
General government	\$ 712,927	\$ 506,637	\$ -	\$ 658	\$ -	\$ (205,632)	\$ -	\$ (205,632)	\$ (310,863)
Public Safety	1,896,882	343,402	-	33,206	-	(1,520,274)	-	(1,520,274)	(1,579,429)
Streets	1,555,882	-	-	290,084	106,553	(1,159,245)	-	(1,159,245)	(1,057,611)
Public works	35,771	-	-	-	-	(35,771)	-	(35,771)	(47,268)
Sanitation	727,788	767,852	-	-	-	40,064	-	40,064	34,478
Parks and recreation	1,036,197	75,522	694,840	167,559	992,124	893,848	-	893,848	(171,229)
Community development	293,374	-	-	-	-	(293,374)	-	(293,374)	(139,961)
Total governmental activities	<u>6,258,821</u>	<u>1,693,413</u>	<u>694,840</u>	<u>491,507</u>	<u>1,098,677</u>	<u>(2,280,384)</u>	<u>-</u>	<u>(2,280,384)</u>	<u>(3,271,883)</u>
Business-type activities:									
Water	932,953	1,099,693	-	-	266,184	-	432,924	432,924	311,973
Sewer	1,190,274	1,119,685	32,911	-	89,207	-	51,529	51,529	22,328
Storm water	179,482	188,972	-	-	-	-	9,490	9,490	(37,614)
Total business-type activities	<u>2,302,709</u>	<u>2,408,350</u>	<u>32,911</u>	<u>-</u>	<u>355,391</u>	<u>-</u>	<u>493,943</u>	<u>493,943</u>	<u>296,687</u>
General Revenues:									
Taxes:									
Property taxes levied for general purposes						646,616	-	646,616	637,299
Franchise and other taxes						553,725	-	553,725	553,788
General sales taxes & highway sales taxes						2,102,439	-	2,102,439	2,046,267
Business licenses						40,213	-	40,213	36,381
Gain (loss) on sale of assets						5,281	-	5,281	8,315
Investment income						8,832	5,844	14,676	20,482
Total general revenues						<u>3,357,106</u>	<u>5,844</u>	<u>3,362,950</u>	<u>3,302,532</u>
Change in net position						<u>1,076,722</u>	<u>499,787</u>	<u>1,576,509</u>	<u>327,336</u>
Net position - beginning						<u>12,994,299</u>	<u>8,732,143</u>	<u>21,726,442</u>	<u>21,399,106</u>
Net position - ending						<u>\$ 14,071,021</u>	<u>\$ 9,231,930</u>	<u>\$ 23,302,951</u>	<u>\$ 21,726,442</u>

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY  
Balance Sheet  
Governmental Funds**

**As of June 30, 2014**

	General	Library	Capital Projects	RDA	Governmental Funds (memo)	
					2014	2013
<b>ASSETS</b>						
Cash & cash equivalents	\$ 174,204	\$ 142,852	\$ -	\$ 285,342	\$ 602,398	\$ 1,284,723
Accounts receivable, net	864,127	416,334	-	75,893	1,356,354	1,414,687
Prepaid expense	40,827	-	-	-	40,827	83,808
Restricted cash	579,758	10,698	379,644	-	970,100	381,275
Total assets	<u>\$ 1,658,916</u>	<u>\$ 569,884</u>	<u>\$ 379,644</u>	<u>\$ 361,235</u>	<u>\$ 2,969,679</u>	<u>\$ 3,164,493</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCE</b>						
Liabilities:						
Interfund payable/receivable	\$ (212,363)	\$ -	\$ 212,363	\$ -	\$ -	\$ -
Accounts payable	146,926	30,678	61,643	169,147	408,394	191,430
Accrued expenses	96,485	7,483	-	-	103,968	77,853
Deposits	19,996	-	-	-	19,996	19,038
Total liabilities	<u>51,044</u>	<u>38,161</u>	<u>274,006</u>	<u>169,147</u>	<u>532,358</u>	<u>288,321</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>1,023,623</u>
Total liabilities and def. inflows	<u>582,440</u>	<u>454,495</u>	<u>274,006</u>	<u>245,040</u>	<u>1,555,981</u>	<u>1,311,944</u>
Fund Balance:						
Non spendable	40,827	-	-	-	40,827	83,808
Restricted for:						
Park impact/park projects	336,632	-	379,644	-	716,276	226,100
Road impact	224,826	-	-	-	224,826	117,710
State liquor funds	18,300	-	-	-	18,300	16,815
Shop with a cop	-	-	-	-	-	1,452
Library	-	10,698	-	-	10,698	19,198
Assigned for:						
Little League	10,435	-	-	-	10,435	8,910
Cemetery	308,324	-	-	-	308,324	184,992
Junior Jazz	5,931	-	-	-	5,931	4,419
Sports	1,194	-	-	-	1,194	2,372
Wildland fires	79,002	-	-	-	79,002	77,056
Special revenue funds	-	104,691	-	116,195	220,886	169,496
Capital projects funds	-	-	(274,006)	-	(274,006)	721,130
Unassigned for: General Fund	51,005	-	-	-	51,005	219,091
Total fund balances	<u>1,076,476</u>	<u>115,389</u>	<u>105,638</u>	<u>116,195</u>	<u>1,413,698</u>	<u>1,852,549</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,658,916</u>	<u>\$ 569,884</u>	<u>\$ 379,644</u>	<u>\$ 361,235</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 \$27,238,532 and \$25,197,295, respectively and the accumulated depreciation is \$13,977,935 and \$13,245,205 respectively.					13,260,597	11,952,090
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.						
					(603,274)	(810,340)
Total net position-governmental activities					<u>\$ 14,071,021</u>	<u>\$ 12,994,299</u>

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

**For the Year Ended June 30, 2014**

	General	Library	Capital Projects	RDA	Memorandum Totals Governmental Funds	
					2014	2013
<b>Revenues:</b>						
Taxes	\$ 3,302,780	\$ 458,707	\$ -	\$ 236,133	\$ 3,997,620	\$ 3,746,194
Licenses and permits	332,775	-	-	-	332,775	252,801
Intergovernmental revenue	402,985	27,017	-	-	430,002	432,603
Charges for services	1,439,525	-	-	-	1,439,525	1,374,187
Fines	120,062	9,566	-	-	129,628	133,731
Other	53,277	146,899	308	228	200,712	158,646
<b>Total revenues</b>	<b>5,651,404</b>	<b>642,189</b>	<b>308</b>	<b>236,361</b>	<b>6,530,262</b>	<b>6,098,162</b>
<b>Expenditures:</b>						
Current operations:						
General government	710,856	-	-	-	710,856	684,054
Public safety	1,820,310	-	1,167,393	-	2,987,703	1,981,240
Streets	1,240,161	-	127,618	-	1,367,779	1,271,113
Public works	35,771	-	-	-	35,771	47,268
Sanitation	727,788	-	-	-	727,788	716,766
Parks and recreation	495,948	507,314	492,789	-	1,496,051	917,560
Community development	113,100	-	-	180,274	293,374	139,961
Debt service:						
Principal	-	140,333	-	-	140,333	135,417
Interest	-	14,739	-	-	14,739	19,465
<b>Total expenditures</b>	<b>5,143,934</b>	<b>662,386</b>	<b>1,787,800</b>	<b>180,274</b>	<b>7,774,394</b>	<b>5,912,844</b>
Excess (deficiency) of revenues over expenditures	507,470	(20,197)	(1,787,492)	56,087	(1,244,132)	185,318
<b>Other financing sources (uses):</b>						
Sale of capital assets	5,281	-	-	-	5,281	8,315
Capital contributions	-	-	800,000	-	800,000	-
Transfers in (out)	(379,000)	7,000	372,000	-	-	-
<b>Total other financing sources</b>	<b>(373,719)</b>	<b>7,000</b>	<b>1,172,000</b>	<b>-</b>	<b>805,281</b>	<b>8,315</b>
<b>Net change in fund balances</b>	<b>133,751</b>	<b>(13,197)</b>	<b>(615,492)</b>	<b>56,087</b>	<b>(438,851)</b>	<b>193,633</b>
Fund balances, beginning of year	942,725	128,586	721,130	60,108	1,852,549	1,658,916
<b>Fund balances, end of year</b>	<b>\$ 1,076,476</b>	<b>\$ 115,389</b>	<b>\$ 105,638</b>	<b>\$ 116,195</b>	<b>\$ 1,413,698</b>	<b>\$ 1,852,549</b>

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**

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

**For the Year Ended June 30, 2014**

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

Net change in fund balances-total governmental funds \$ (438,851)

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	2,041,237	
Loss on disposal of assets	-	
Depreciation expense	<u>(732,730)</u>	1,308,507

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	171,301	
Change in accrued interest payable	203	
Change in accrued compensated absences	4,107	
Amortization of bond refunding	<u>31,455</u>	<u>207,066</u>

Change in net position of governmental activities \$ 1,076,722

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

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>GENERAL FUND REVENUES</b>				
Taxes:				
General property taxes-current	\$ 528,043	\$ 525,534	\$ 522,480	\$ (3,054)
Prior years' taxes-delinquent	37,521	61,829	61,829	-
General sales & use taxes	2,030,125	2,126,119	2,102,439	(23,680)
Franchise taxes	20,561	24,327	20,273	(4,054)
Mass transit tax	-	-	533,452	533,452
Fee-in-lieu of property taxes	88,196	68,330	62,307	(6,023)
<b>Total taxes</b>	<b>2,704,446</b>	<b>2,806,139</b>	<b>3,302,780</b>	<b>496,641</b>
Licenses & permits:				
Business licenses & permits	40,000	40,000	40,213	213
Building structures & equipment	210,000	248,000	287,850	39,850
Animal licenses	3,500	4,266	4,712	446
<b>Total licenses &amp; permits</b>	<b>253,500</b>	<b>292,266</b>	<b>332,775</b>	<b>40,509</b>
Intergovernmental revenues:				
Public safety	23,134	29,940	22,904	(7,036)
State and other governmental grants	91,100	92,646	89,997	(2,649)
Class "C" road fund allotment	310,000	300,000	290,084	(9,916)
<b>Total intergovernmental revenues</b>	<b>424,234</b>	<b>422,586</b>	<b>402,985</b>	<b>(19,601)</b>
Charges for services:				
Zoning & subdivision fees	181,000	244,031	276,639	32,608
Sale of maps & publications	200	200	-	(200)
Public safety	388,103	333,876	339,690	5,814
Refuse collection charges	733,439	843,719	767,852	(75,867)
Cemetery fees	4,000	21,506	23,931	2,425
Parks and public property	21,100	26,725	31,413	4,688
<b>Total charges for services</b>	<b>1,327,842</b>	<b>1,470,057</b>	<b>1,439,525</b>	<b>(30,532)</b>
Fines & forfeitures:				
Fines	139,000	139,785	119,646	(20,139)
Forfeitures	-	-	416	416
<b>Total fines &amp; forfeitures</b>	<b>139,000</b>	<b>139,785</b>	<b>120,062</b>	<b>(19,723)</b>
Miscellaneous revenue:				
Interest earnings	5,620	9,551	7,559	(1,992)
Rents & miscellaneous	19,000	47,337	45,718	(1,619)
Sale of materials & supplies	5,000	5,000	5,281	281
<b>Total Miscellaneous revenue</b>	<b>29,620</b>	<b>61,888</b>	<b>58,558</b>	<b>(3,330)</b>
<b>Total Revenues</b>	<b>\$ 4,878,642</b>	<b>\$ 5,192,721</b>	<b>\$ 5,656,685</b>	<b>\$ 463,964</b>

See accompanying notes to the financial statements and auditor's report.

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

*Continued*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL FUND EXPENDITURES</b>				
General government:				
Legislative	\$ 80,800	\$ 107,234	\$ 107,075	\$ 159
Judicial	167,425	178,671	178,552	119
Executive	100,926	100,551	99,803	748
Administrative	144,423	143,803	140,585	3,218
Non-departmental	170,564	187,055	177,962	9,093
Planning & zoning	12,740	10,489	6,879	3,610
Total general government	676,878	727,803	710,856	16,947
Public safety:				
Police department	1,033,347	1,060,666	1,052,835	7,831
Fire department	421,773	424,957	396,760	28,197
Protective inspection	280,871	325,257	324,731	526
Animal control	56,815	47,415	45,984	1,431
Total public safety	1,792,806	1,858,295	1,820,310	37,985
Streets & public improvements:				
Streets	720,828	706,858	1,240,161	(533,303)
Public works	32,725	35,786	35,771	15
Sanitation	660,000	728,700	727,788	912
Total streets & improvements	1,413,553	1,471,344	2,003,720	(532,376)
Parks, recreation & public property:				
Park & park areas	451,122	455,546	429,853	25,693
Recreation & culture	52,642	64,835	62,396	2,439
Cemetery	11,000	4,000	3,699	301
Total parks, recreation & public property	514,764	524,381	495,948	28,433
Community & economic development:				
Community planning	116,324	113,907	113,100	807
Transfers & other uses:				
Transfer to other funds	302,354	379,000	379,000	-
Total transfers & other uses	302,354	379,000	379,000	-
<b>TOTAL EXPENDITURES</b>	<b>4,816,679</b>	<b>5,074,730</b>	<b>5,522,934</b>	<b>(448,204)</b>
Net change in fund balance	61,963	117,991	133,751	15,760
Fund balance at beginning of year	942,725	942,725	942,725	-
Fund balance at end of year	<b>\$ 1,004,688</b>	<b>\$ 1,060,716</b>	<b>\$ 1,076,476</b>	<b>\$ 15,760</b>

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

**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
<b>LIBRARY FUND REVENUES</b>				
Dedicated property taxes	\$ 437,086	\$ 445,862	\$ 458,707	\$ 12,845
Intergovernmental revenue	4,000	27,016	27,017	1
Fines	10,000	10,000	9,566	(434)
Other	171,965	171,965	146,899	(25,066)
Total revenues	<u>623,051</u>	<u>654,843</u>	<u>642,189</u>	<u>(12,654)</u>
<b>LIBRARY FUND EXPENDITURES</b>				
General operations	447,268	507,275	507,314	(39)
Debt service principal	140,000	140,000	140,333	(333)
Debt service interest	15,146	15,146	14,739	407
Total expenditures	<u>602,414</u>	<u>662,421</u>	<u>662,386</u>	<u>35</u>
Excess (deficiency) of revenues over expenditures	20,637	(7,578)	(20,197)	12,619
Other financing sources (uses): Transfers in (out)	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>(7,000)</u>
Net change in fund balance	20,637	(7,578)	(13,197)	5,619
Fund balance at beginning of year	<u>128,586</u>	<u>128,586</u>	<u>128,586</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 149,223</u></u>	<u><u>\$ 121,008</u></u>	<u><u>\$ 115,389</u></u>	<u><u>\$ 5,619</u></u>

**NORTH LOGAN CITY**  
**Statement Net Position**  
**Proprietary Funds**

**As of June 30, 2014**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2014	2013
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 458,148	\$ -	\$ 272,030	\$ 730,178	\$ 415,367
Accounts receivable, net	110,498	103,269	17,055	230,822	226,190
Total current assets	<u>568,646</u>	<u>103,269</u>	<u>289,085</u>	<u>961,000</u>	<u>641,557</u>
Noncurrent assets:					
Restricted cash	172,609	361,729	-	534,338	971,735
Capital assets					
Land & water shares	473,559	850	-	474,409	474,409
Distribution and collection systems	9,448,279	5,019,562	15,760	14,483,601	13,658,373
Buildings and equipment	821,270	376,813	164,420	1,362,503	1,344,503
Less accumulated depreciation	<u>(4,244,195)</u>	<u>(2,822,384)</u>	<u>(74,146)</u>	<u>(7,140,725)</u>	<u>(6,786,561)</u>
Total noncurrent assets	<u>6,671,522</u>	<u>2,936,570</u>	<u>106,034</u>	<u>9,714,126</u>	<u>9,662,459</u>
Deferred outflow of resources	13,043	-	-	13,043	15,953
<b>TOTAL ASSETS AND DEF. OUTFLOW OF RESOURCES</b>	<u>7,253,211</u>	<u>3,039,839</u>	<u>395,119</u>	<u>10,688,169</u>	<u>10,319,969</u>
<b>LIABILITIES</b>					
Current liabilities:					
Interfund payable/receivable	(524,861)	524,861	-	-	-
Accounts payable	124,456	69,673	3,231	197,360	66,211
Accrued payables	24,997	7,341	-	32,338	31,451
Accrued interest payable	652	4,655	-	5,307	5,935
Bonds payable - due within a year	170,000	65,424	-	235,424	261,425
Total current liabilities	<u>(204,756)</u>	<u>671,954</u>	<u>3,231</u>	<u>470,429</u>	<u>365,022</u>
Noncurrent liabilities:					
Bonds payable - due in more than one year	525,000	451,699	-	976,699	1,211,416
Bond premium on refunding	9,111	-	-	9,111	11,388
Total noncurrent liabilities	<u>534,111</u>	<u>451,699</u>	<u>-</u>	<u>985,810</u>	<u>1,222,804</u>
Total liabilities	<u>329,355</u>	<u>1,123,653</u>	<u>3,231</u>	<u>1,456,239</u>	<u>1,587,826</u>
<b>NET POSITION</b>					
Net investment in capital assets	5,794,150	2,053,063	106,034	7,953,247	7,200,560
Restricted for debt service	135,940	151,606	-	287,546	271,741
Restricted for impact fees	36,669	210,123	-	246,792	699,994
Unrestricted	957,097	(498,606)	285,854	744,345	559,848
Total net position	<u>\$6,923,856</u>	<u>\$ 1,916,186</u>	<u>\$ 391,888</u>	<u>\$9,231,930</u>	<u>\$8,732,143</u>

See accompanying notes to the financial statements and auditor's report.

**NORTH LOGAN CITY**  
**Statement of Revenues, Expenditures, and Change in Fund Net Position**  
**Proprietary Funds**

**For the Year Ended June 30, 2014**

	Water	Sewer	Non Major Proprietary	Memorandum Totals	
				2014	2013
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 1,096,149	\$ 1,119,685	\$ 188,972	\$ 2,404,806	\$ 2,351,787
Impact fees	266,184	89,207	-	355,391	234,320
Other	3,544	-	-	3,544	3,347
<b>Total operating revenues</b>	<b>1,365,877</b>	<b>1,208,892</b>	<b>188,972</b>	<b>2,763,741</b>	<b>2,589,454</b>
<b>OPERATING EXPENSES</b>					
Wages and benefits	260,135	125,771	20,214	406,120	403,369
Professional fees	14,439	-	2,000	16,439	9,583
Disposal and treatment	-	753,836	-	753,836	765,661
Utilities	88,239	-	-	88,239	102,627
Repairs and maintenance	125,418	25,100	114,326	264,844	259,372
Other	147,079	106,878	18,459	272,416	253,034
Facilities	52,734	23,142	6,450	82,326	78,020
Depreciation/amortization	211,759	126,438	16,599	354,796	389,997
<b>Total operating expenses</b>	<b>899,803</b>	<b>1,161,165</b>	<b>178,048</b>	<b>2,239,016</b>	<b>2,261,663</b>
<b>Operating income (loss)</b>	<b>466,074</b>	<b>47,727</b>	<b>10,924</b>	<b>524,725</b>	<b>327,791</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	5,107	-	737	5,844	9,565
Miscellaneous expense	(11,627)	-	-	(11,627)	(5,719)
Interest expense	(21,523)	(29,109)	(1,434)	(52,066)	(58,296)
Transfers in (out)	-	4,000	(4,000)	-	-
Property tax	-	32,911	-	32,911	32,911
<b>Total non-operating revenue (expense)</b>	<b>(28,043)</b>	<b>7,802</b>	<b>(4,697)</b>	<b>(24,938)</b>	<b>(21,539)</b>
<b>Change in net position</b>	<b>438,031</b>	<b>55,529</b>	<b>6,227</b>	<b>499,787</b>	<b>306,252</b>
<b>Total net position - beginning</b>	<b>6,485,825</b>	<b>1,860,657</b>	<b>385,661</b>	<b>8,732,143</b>	<b>8,425,891</b>
<b>Total net position -ending</b>	<b>\$ 6,923,856</b>	<b>\$ 1,916,186</b>	<b>\$ 391,888</b>	<b>\$ 9,231,930</b>	<b>\$ 8,732,143</b>

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

**For the Year Ended June 30, 2014**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,363,392	\$ 1,207,512	\$ 188,205	\$ 2,759,109	\$ 2,591,255
Payments to suppliers	(286,727)	(924,755)	(146,837)	(1,358,319)	(2,043,071)
Payments to employees	(260,135)	(125,771)	(20,214)	(406,120)	(403,369)
Net cash provided by operating activities	<u>816,530</u>	<u>156,986</u>	<u>21,154</u>	<u>994,670</u>	<u>144,815</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(165,000)	(61,509)	(34,209)	(260,718)	(257,899)
Interest paid on capital debt	(21,523)	(29,109)	(1,434)	(52,066)	(58,296)
Purchases of capital assets	(806,281)	(21,186)	(15,760)	(843,227)	(578,544)
Net cash used by capital and related financing activities	<u>(992,804)</u>	<u>(78,893)</u>	<u>(51,403)</u>	<u>(1,123,100)</u>	<u>(861,828)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	5,107	-	737	5,844	9,565
Net cash provided by investing activities	<u>5,107</u>	<u>-</u>	<u>737</u>	<u>5,844</u>	<u>9,565</u>
Net increase (decrease) in cash and cash equivalents	(171,167)	78,093	(29,512)	(122,586)	(707,448)
Cash and equivalents at beginning of year	<u>801,924</u>	<u>283,636</u>	<u>301,542</u>	<u>1,387,102</u>	<u>2,094,550</u>
Cash and equivalents at end of year	<u><u>\$ 630,757</u></u>	<u><u>\$ 361,729</u></u>	<u><u>\$ 272,030</u></u>	<u><u>\$ 1,264,516</u></u>	<u><u>\$ 1,387,102</u></u>

See accompanying notes to the financial statements and auditor's report.

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

*Continued*

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2014</u>	<u>2013</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 466,074	\$ 47,727	\$ 10,924	\$ 524,725	\$ 327,791
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation	211,759	126,438	16,599	354,796	389,997
Changes in assets & liabilities:					
Decrease (increase) in receivables	(2,485)	(1,380)	(767)	(4,632)	(16,023)
Decrease (increase) in interfund receivables	83,816	(83,816)	-	-	(529,481)
Increase (decrease) in accruals	68,993	64,017	(1,602)	131,408	(21,750)
Miscellaneous expense/transfers	(11,627)	4,000	(4,000)	(11,627)	(5,719)
Total adjustments	<u>350,456</u>	<u>109,259</u>	<u>10,230</u>	<u>469,945</u>	<u>(182,976)</u>
Net cash provided (used) by operating activities:	<u>\$ 816,530</u>	<u>\$ 156,986</u>	<u>\$ 21,154</u>	<u>\$ 994,670</u>	<u>\$ 144,815</u>

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

**For the Year Ended June 30, 2014**

---

**1. STRUCTURE**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a governing body consisting of a mayor and five council members, with the mayor voting only to break a tie).

The mayor appoints the planning commission, library board, and other committees with the consent of the city council.

The justice court is located in Hyde Park City. The same judge presides over both courts and bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying a monthly share based on an agreed upon 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 provide funds to the City for library use. The Thorne Endowment also provided \$130,000 in library funding for the year ended June 30, 2014.

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 the 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 all accounting, utility billing, and clerical functions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Model**

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.

**Financial Reporting Entity**

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. 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.

**Fund Accounting/Basis of Accounting**

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, which recognizes revenues when they become both measurable and available.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Fund Accounting/Basis of Accounting – *continued***

“Measureable means that the amount of the transaction can be determined and “available” means that the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers amounts collected within 60 days after year end to be available. Under this method of accounting, expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations. The Library Fund is classified 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 that are financed and operated like a private sector 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 donated 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 the enterprise fund balance sheets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting/Basis of Accounting – *continued***

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 as follows:

Sewer & water systems	50 years
Roads	20 years
Buildings & improvements	10-50 years
Equipment	3-20 years

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

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

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 externally imposed due to state or federal laws or conditions issued by grantors or creditors. Committed fund balance represents the 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 fund balance constitutes the residual balances in the General Fund not classified as restricted, committed, or assigned.

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.

Interfund transfers represent flows of cash or other assets without a requirement for repayment. Interfund transfers are classified as other financing sources and other financing uses. Interfund payable and receivable balances reflect the amounts of temporary resources used between funds. These amounts are all current and are shown in the liability section as interfund payable/receivable.

*Continued*

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting/Basis of Accounting – *continued***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

*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 included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 27,238,532
Accumulated depreciation	(13,977,935)
Total difference	<u>\$ 13,260,597</u>

*Continued*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reconciliation of government-wide and fund financial statements – *continued***

*Long-term liabilities:*

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

Principal portion of bonds and leases	\$ (382,398)
Accrued interest payable	(428)
Deferred amount on refunding	(62,911)
Compensated absences	(157,537)
	\$ (603,274)

**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 were as follows:

Capital outlay	\$ 2,041,237
Loss on disposal of fixed assets	-
Depreciation expense	(732,730)
Net difference as reported	\$ 1,308,507

*Continued*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reconciliation of government-wide and fund financial statements – *continued***

B. Explanation of differences between governmental fund operating statements and the statement of net activities – *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	\$	140,000
Repayment of capital lease principal		31,301
Change in accrued compensated absences		4,107
Change in accrued interest payable		203
Amortization of bond refunding		31,455
	<u>\$</u>	<u>207,066</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 or periods and therefore will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reported the deferred charge \$13,043 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 or periods and will not be recognized as an inflow of resources (revenue) until that time. The City reported 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 statement 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, 2014, \$0 of the City’s bank balances of \$367,351 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, 2014, the City had investments of \$2,686,340 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**3. CASH & INVESTMENTS – *continued***

**Interest Rate Risk**

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

**4. ACCOUNTS RECEIVABLE**

The City had accounts receivable as of June 30, 2014, as follows:

Property tax	\$	1,054,346	
Sales tax		137,595	
Sewer		103,269	(net of \$12,149 allowance)
Garbage and Dispatch fee		74,047	(net of \$9,183 allowance)
Class C Road funds		53,819	
Water		110,498	(net of \$11,937 allowance)
Court		9,750	(net of \$90,357 allowance)
Other receivables		5,508	
Energy Use tax		21,289	
Storm water		17,055	(net of \$2,049 allowance)
		<u>17,055</u>	
Total	\$	<u>1,587,176</u>	

*Continued*

**5. INSURANCE & BOND COVERAGE**

As of June 30, 2014, insurance and bond coverage's were 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	7/1/14
Automobiles-liability	Utah Local Governments Trust	\$ 5,000,000	7/1/14
Buildings & contents	Utah Local Governments Trust	\$ 12,702,255	7/1/14
Mayor & Treasurer	Western Surety	\$ 429,710	6/26/15
Bonds:			
Blanket employee bond	Allied Insurance	\$ 10,000	4/1/15
Public Official bond	Allied Insurance	\$ 40,000	2/1/15
Treasurer position bond	Hartford	\$ 346,000	11/16/14

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

*Continued*

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2014, consisted of the following:

Water fund:	<u>7/1/13</u>	<u>Issued</u>	<u>Paid</u>	<u>6/30/14</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%.	\$ 860,000	\$ -	\$165,000	<u>\$ 695,000</u>	<u>\$ 170,000</u>
Total water fund				<u><u>\$ 695,000</u></u>	<u><u>\$ 170,000</u></u>
 Sewer fund:					
GMAC; \$1,000,000 due in monthly installments of \$4,830 including int. at 5%	370,673	-	39,138	\$ 331,535	\$ 41,822
GMAC; \$560,000 due in monthly installments of \$32,911 including int. at 5%	207,959	-	22,371	<u>185,588</u>	<u>23,602</u>
Total sewer fund				<u><u>\$ 517,123</u></u>	<u><u>\$ 65,424</u></u>
 Library fund:					
US bank \$1,065,000 due in annual installments ranging from \$118,000 to \$150,000 plus interest of 3.49%.	434,000	-	140,000	<u>\$ 294,000</u>	<u>\$ 144,000</u>
Total library fund				<u><u>\$ 294,000</u></u>	<u><u>\$ 144,000</u></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 \$41,556 and depr. of \$27,704.	109,190	-	26,124	\$ 83,066	\$ 26,891
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 \$25,469 and depr. of \$6,644.	10,509	-	5,177	<u>5,332</u>	<u>5,332</u>
Total general fund				<u><u>\$ 88,398</u></u>	<u><u>\$ 32,223</u></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, 2014, were as follows:

<u>June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
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	154,485	5,485
Totals	<u>\$ 1,594,521</u>	<u>\$ 162,075</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 are administered by the Utah Retirement Systems (URS), which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The URS was established and is 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 URS and its plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The URS issues 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 800-365-8772.

Funding Policy:

<u>Rates</u>	<u>Paid by Employer</u>	
	<u>for Employee</u>	<u>Employer</u>
Local Gov't Contributory Tier 1	6.00%	13.28%
Local Gov't Contributory Tier 2	n/a	13.99%
Local Gov't Noncontributory Tier 1	n/a	17.29%
Public Safety Contributory Tier 1	12.29%	22.75%
Public Safety Noncontributory Tier 1	n/a	34.17%
Firefighter Tier 1	15.05%	2.96%

<u>Contributions</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Local Gov't Contributory Tier 1 & 2	\$ 23,126	\$ 22,536	\$ 17,100
Local Gov't Noncontributory Tier 1	174,435	163,659	139,335
Public Safety Contributory Tier 1	80,155	75,920	66,699
Public Safety Noncontributory Tier 1	30,243	34,233	29,002
Firefighter Tier 1	8,405	17,920	15,565

**7. RETIREMENT SYSTEMS – *continued***

**Plan Description – *continued***

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 22.37% of these two employees' salaries to a 401K plan.

Payments for 2014 totaled \$39,854.

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 fund fixed asset changes occurring for the year ended June 30, 2014, were as

	<u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2014</u>
Land and water shares	\$ 3,810,424	\$ -	\$ -	\$ 3,810,424
Buildings	2,472,091	1,192,317	-	3,664,408
Library	343,575	19,550	-	363,125
Police	407,429	11,955	-	419,384
Fire	1,422,417	-	-	1,422,417
Streets	857,078	50,382	-	907,460
Parks	823,501	587,646	-	1,411,147
Facilities	73,529	1,644	-	75,173
Inspection	103,151	1,648	-	104,799
Administrative	30,052	6,949	-	37,001
Executive	47,220	-	-	47,220
Planner	5,930	-	-	5,930
Cemetery	63,033	-	-	63,033
Construction in progress	-	-	-	-
Road system	14,737,865	169,146	-	14,907,011
Total assets	<u>25,197,295</u>	<u>2,041,237</u>	<u>-</u>	<u>27,238,532</u>
Accumulated depreciation	<u>(13,245,205)</u>	<u>(732,730)</u>	<u>-</u>	<u>(13,977,935)</u>
Net assets	<u>\$ 11,952,090</u>	<u>\$ 1,308,507</u>	<u>\$ -</u>	<u>\$ 13,260,597</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 16,419
Public safety	118,628
Streets	433,755
Parks & recreation	163,928
	<u>\$ 732,730</u>

follows:

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

*Continued*

**8. CHANGES IN FIXED ASSETS – *continued***

Enterprise fund fixed asset changes for the year ended June 30, 2014 were as follows:

	<u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2014</u>
Water:				
Land and water shares	\$ 473,559	\$ -	\$ -	\$ 473,559
System	8,650,997	797,282	-	9,448,279
Buildings & equipment	812,270	9,000	-	821,270
Accumulated depreciation	<u>(4,033,068)</u>	<u>(211,127)</u>	-	<u>(4,244,195)</u>
Net position	<u>\$ 5,903,758</u>	<u>\$ 595,155</u>	<u>\$ -</u>	<u>\$ 6,498,913</u>
Sewer:				
Land	\$ 850	\$ -	\$ -	\$ 850
System	5,007,376	12,186	-	5,019,562
Equipment	367,813	9,000	-	376,813
Accumulated depreciation	<u>(2,695,946)</u>	<u>(126,438)</u>	-	<u>(2,822,384)</u>
Net position	<u>\$ 2,680,093</u>	<u>\$ (105,252)</u>	<u>\$ -</u>	<u>\$ 2,574,841</u>
Storm water:				
System	\$ -	\$ 15,760	\$ -	\$ 15,760
Equipment	164,420	-	-	164,420
Accumulated depreciation	<u>(57,547)</u>	<u>(16,599)</u>	-	<u>(74,146)</u>
Net position	<u>\$ 106,873</u>	<u>\$ (839)</u>	<u>\$ -</u>	<u>\$ 106,034</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	\$ 630,757	\$ 361,729	\$ 272,030
Receivables	110,498	103,269	17,055
Current liabilities			
Accounts payable	(149,453)	(601,875)	(3,231)
Accrued interest	(652)	(4,655)	-
Current portion long-term debt	<u>(170,000)</u>	<u>(65,424)</u>	<u>-</u>
Net working capital	<u>\$ 421,150</u>	<u>\$ (206,956)</u>	<u>\$ 285,854</u>

**10. RISK MANAGEMENT**

In addition to the insurance coverage listed 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 were 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 \$189,845 in the General, Water and Sewer funds. All vacation hours and all compensatory time hours would be paid upon termination. Only 10% of sick hours would be paid (unless the employee retires through the Utah Retirement System and has worked for the City for a required amount of time). Sick hours excluded amounts to \$393,797. 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 \$35,819 in rental payments for the year. The future payments are as follows:

2015	\$	11,084
2016		9,553
2017		398
Total	\$	21,035

**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. Such data is also not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain reclassifications have been made to the prior year balances to be consistent with the current year presentation.

**This page intentionally left blank.**

## **SUPPLEMENTAL SECTION**

**This page intentionally left blank.**

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

**As of June 30, 2014**

	Storm water	Total Nonmajor Proprietary	
		2014	2013
<b>ASSETS</b>			
Cash and cash equivalents	\$ 272,030	\$ 272,030	\$ 301,542
Accounts receivable	17,055	17,055	16,288
Total current assets	<u>289,085</u>	<u>289,085</u>	<u>317,830</u>
Capital assets			
Distribution and collection systems	15,760	15,760	-
Buildings and equipment	164,420	164,420	164,420
Less accumulated depreciation	<u>(74,146)</u>	<u>(74,146)</u>	<u>(57,547)</u>
Total noncurrent assets	<u>106,034</u>	<u>106,034</u>	<u>106,873</u>
Total assets	<u>\$ 395,119</u>	<u>\$ 395,119</u>	<u>\$ 424,703</u>
<b>LIABILITIES &amp; NET POSITION</b>			
Liabilities:			
Accounts payable	\$ 3,231	\$ 3,231	\$ 4,833
Bonds payable - due within a year	-	-	34,209
Total current liabilities	<u>3,231</u>	<u>3,231</u>	<u>39,042</u>
Noncurrent liabilities:			
Bonds payable - due in more than one year	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,231</u>	<u>3,231</u>	<u>39,042</u>
<b>NET POSITION</b>			
Net investment in capital assets	106,034	106,034	72,664
Unrestricted	<u>285,854</u>	<u>285,854</u>	<u>312,997</u>
Total net position	<u>391,888</u>	<u>391,888</u>	<u>385,661</u>
Total liabilities & net position	<u>\$ 395,119</u>	<u>\$ 395,119</u>	<u>\$ 424,703</u>

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

**For the Year Ended June 30, 2014**

	Storm Water	Total Nonmajor Proprietary	
		2014	2013
<b>OPERATING REVENUES</b>			
Charges for services	\$ 188,972	\$ 188,972	\$ 184,703
Total operating revenues	<u>188,972</u>	<u>188,972</u>	<u>184,703</u>
<b>OPERATING EXPENSES</b>			
Wages and benefits	20,214	20,214	42,834
Professional fees	2,000	2,000	2,823
Repairs and maintenance	114,326	114,326	131,436
Other	18,459	18,459	19,721
Facilities	6,450	6,450	6,246
Depreciation	16,599	16,599	16,442
Total operating expenses	<u>178,048</u>	<u>178,048</u>	<u>219,502</u>
Operating income (loss)	10,924	10,924	(34,799)
<b>NON-OPERATING EXPENSES</b>			
Interest income	737	737	1,567
Interest expense	(1,434)	(1,434)	(2,815)
Transfers	(4,000)	(4,000)	(4,000)
Total non-operating expenses	<u>(4,697)</u>	<u>(4,697)</u>	<u>(5,248)</u>
Change in net position	6,227	6,227	(40,047)
Net position-beginning	<u>385,661</u>	<u>385,661</u>	<u>425,708</u>
Net position-ending	<u>\$ 391,888</u>	<u>\$ 391,888</u>	<u>\$ 385,661</u>

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

**For the year ended June 30, 2014**

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 188,205	\$ 188,205	\$ 182,881
Payments to suppliers	(146,837)	(146,837)	(159,393)
Payments to employees	(20,214)	(20,214)	(42,834)
Net cash provided (used) by operating activities:	<u>21,154</u>	<u>21,154</u>	<u>(19,346)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(34,209)	(34,209)	(32,828)
Interest paid on capital debt	(1,434)	(1,434)	(2,815)
Purchases of capital assets	(15,760)	(15,760)	-
Net cash used by capital and related financing activities	<u>(51,403)</u>	<u>(51,403)</u>	<u>(35,643)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>737</u>	<u>737</u>	<u>1,567</u>
Net cash provided by investing activities	<u>737</u>	<u>737</u>	<u>1,567</u>
Net decrease in cash and cash equivalents	(29,512)	(29,512)	(53,422)
Cash and equivalents at beginning of year	<u>301,542</u>	<u>301,542</u>	<u>354,964</u>
Cash and equivalents at end of year	<u>\$ 272,030</u>	<u>\$ 272,030</u>	<u>\$ 301,542</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 10,924	\$ 10,924	\$ (34,799)
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	16,599	16,599	16,442
Transfers	(4,000)	(4,000)	(4,000)
Changes in assets & liabilities:			
Decrease (increase) in receivables	(767)	(767)	(1,822)
Increase (decrease) in accruals	(1,602)	(1,602)	4,833
Total adjustments	<u>10,230</u>	<u>10,230</u>	<u>15,453</u>
Net cash provided (used) by operating activities:	<u>\$ 21,154</u>	<u>\$ 21,154</u>	<u>\$ (19,346)</u>

**This page intentionally left blank.**



**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**

To the Honorable Mayor and City Council of  
North Logan City  
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 North Logan City, Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise North Logan City, Utah's basic financial statements and have issued our report thereon dated November 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Logan City, 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 North Logan City, Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of North Logan City, 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 2014-1 and 2014-2 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Logan City, 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 item 2014-1.

### **North Logan City, Utah's Responses to Findings**

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

### **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.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, prominent initial "A".

North Logan, UT  
November 10, 2014



**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE STATE  
COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE  
COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE**

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

**Report On Compliance with General State Compliance Requirements**

We have audited North Logan City, Utah's (the City) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the City for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Transfers from Utility Enterprise Funds
- Utah Retirement System
- GRAMA
- Open and Public Meetings

The City did not have any state funding classified as a major program during the year ended June 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*.

Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City. 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 on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, North Logan City, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and described in the accompanying schedule of findings and recommendations as item 2014-3.

The City's responses to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. 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.

### **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 of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, prominent initial "A".

North Logan, UT  
November 10, 2014

**This page intentionally left blank.**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**This page intentionally left blank.**

## CURRENT YEAR FINDINGS

### **2014-1: Employee expenses/documentation (significant deficiency)**

*Description:* 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 and the Library. The missing receipts were approximately \$2,600, most of them for the Library. This is a repeat finding.

*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 reinforce to all department heads and all employees, the specific requirement that receipts be turned into Accounts Payable for all purchases. 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.

### **2014-2: Audit Adjustments (significant deficiency)**

*Description:* While conducting the audit we found audit adjustments that needed to be booked. These adjustments were to adjust accounts payable, principal portions or debt, 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. Auditor noted improvement in this area this year.

*Recommendation:* We recommend that prior to audit fieldwork the City 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, debt, and accounts receivable at least monthly throughout the fiscal year. After the end of the fiscal year and prior to the trial balance being delivered to the auditor a final review and additional adjustments will be performed as needed. Allred Jackson will be contacted for input as questions arise.

**2014-3: Budgetary Compliance (State compliance)**

*Description:* During our review of the budget to actual for the departments of the City, we noted that the general fund expenditures exceeded the appropriations. This was due solely to the revenue and expense recognition of the mass transit authority (pass through funds) that had previously not been budgeted for.

*Recommendation:* We recommend that the City budget for the projected pass through funds of the mass transit authority.

*Management response:* Management will budget for and track the pass-through funds of the Mass Transit Tax.

## PRIOR YEAR FINDINGS

### **2013-1: Employee expenses/ documentation (significant deficiency)**

*Description:* 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.

*Status:* See repeat finding at 2014-1.

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

*Description:* 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.

*Status:* See repeat finding at 2014-2.

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

*Description:* 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.

*Status:* See repeat finding at 2014-3.

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

*Description:* 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.

*Status:* All escrow account balances were correctly included on the Deposit and Investment Report Form for the year ended June 30, 2014.