

CITY OF LOGAN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2005

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Foutch	Mayor	December 2005
Jim Ettleman	Mayor Pro-Tem	December 2005
Dennis Crum	Council Member	December 2007
Kevin Killpack	Council Member	December 2005
Art McWilliams	Council Member	December 2007
Lisa Winther	Council Member	December 2007
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Alan Anderson	Attorney	Resigned, June 30, 2005

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 9, 2005

Lonnie G. Muxfeldt

Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

231 W. Lyon
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

August 9, 2005
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To the Honorable Mayor and
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan at June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my reports dated August 9, 2005 on my consideration of the City of Logan's internal control over financial reporting and my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12, and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


M. M. Associates, CPA, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Logan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the city's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the city's governmental activities increased 6%, or \$44,322, from fiscal 2004 to fiscal 2005.

Program disbursements increased 13%, or \$99,319 more in fiscal 2005 than in fiscal 2004.

The city's net assets decreased 19%, or \$84,683 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased \$26,328 and the assets of the business type activities decreased by \$58,355.

USING THIS ANNUAL REPORT

The annual report is presented in a format consistent with the presentation of the governmental Accounting Standards Board (GASB) Statement 34, as applicable to the City's cash basis of accounting.

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the city's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about non-major governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's cash basis of accounting, receipts and disbursements and related assets are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question. This statement includes all the City's assets using the cash basis of accounting.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported when they result from cash transactions.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities includes the waterworks and the sanitary sewer system. These activities are financed primarily by use charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax Funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. These funds are reported using the cash basis of accounting. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund financial statements provide a detailed, short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a statement of cash basis receipts, disbursements and changes in fund balances and cash basis assets and fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business type activities in the government-wide statement of activities and changes in cash balance. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The financial statements required for proprietary funds include a statement of cash basis receipts, disbursements and changes in fund balances and cash basis assets and fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Net Assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased by \$26,328 from a year ago, decreasing from \$259,686 to \$233,358. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for services	\$ 107,731	\$ 82,370
Operating grants, contributions and restricted interest	24,937	22,365
General receipts:		
Property tax	490,255	468,938
Local option sales tax	78,705	82,658
Road use tax	128,460	128,679
Unrestricted investment earnings	916	1,672
Note proceeds	-0-	-0-
Transfers, net	-0-	-0-
Total receipts	<u>831,004</u>	<u>786,682</u>
Disbursements:		
Public safety	181,560	187,909
Public works	306,844	166,602
Health and social services	4,000	-0-
Culture and recreation	130,209	122,089
Community and economic development	1,950	530
General government	91,532	90,396
Debt service	141,237	135,737
Capital projects	-0-	54,750
Total disbursements	<u>857,332</u>	<u>758,013</u>
Increase (decrease) in cash	(26,328)	28,669
Net assets, beginning of year	<u>259,686</u>	<u>231,017</u>
Net assets, end of year	<u>\$ 233,358</u>	<u>\$ 259,686</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's total receipts from governmental activities increased by 6%, or \$44,322. The total cost of all programs and services increased by \$99,319, or 13%. The increase in receipts came from three sources: a \$14,000 insurance settlement, a \$10,000 increase in franchise fees from Mid American Energy, and a \$20,000 increase in budgeted property tax receipts for fiscal year 2005.

The cost of all governmental activities this year was \$857,332 compared to \$758,013 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 - 15, the amount taxpayers ultimately financed for these activities was \$724,664 because some of the cost was paid by those directly benefited from the programs \$107,731 or by other governments and organizations that subsidized certain programs with grants and contributions \$24,937. Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2005 from \$104,735 to \$132,668. The City paid for the remaining "public benefit" portion of governmental activities with \$568,960 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Net Assets of Business Type Activities			
Year ended June 30,			
	2005		2004
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 223,468	\$	244,754
Sewer	119,786		125,003
Capital grants, contribution, And restricted interest	1,705		822
General receipts:			
Unrestricted interest	271		937
Meter deposits	5,034		4,900
Special assessments	-0-		189
Total receipts	<u>350,264</u>		<u>376,605</u>
Disbursements:			
Water	145,693		146,051
Sewer	64,204		84,011
Debt service	194,088		190,746
Meter deposit refunds	4,634		4,050
Transfers	-0-		-0-
Total disbursements	<u>408,619</u>		<u>424,858</u>
Increase (decrease) in cash	(58,355)		(48,253)
Net assets, beginning of year	<u>179,927</u>		<u>228,180</u>
Net assets, end of year	<u>\$ 121,572</u>	\$	<u>179,927</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Total business type activities receipts for the fiscal year were \$350,264 compared to \$376,605 last year. This \$26,341 decrease represents a 7% decrease from the prior year due primarily to a reduction in water usage by Logan residents. Total business type activities disbursements were \$408,619 compared to \$424,858 last year. This is a \$16,239 decrease or 4% from the prior year. The cash balance decreased \$58,355 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed fiscal year 2005, its governmental funds reported a combined fund balance of \$233,358, a decrease of \$26,328 over the prior fiscal year's total of \$259,686. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- General Fund cash balance reported an increase of \$30,067 from the prior year.
- The Road Use Tax Fund cash balance decreased by \$29,025 to \$17,882 during the fiscal year due to street maintenance.
- The Local Option Sales Tax Fund cash balance decreased by \$20,212 to \$110,190.
- The Debt Service Fund cash balance decreased by \$14,768 to \$1,246 from last year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Logan completed fiscal year 2005, its business type activities funds reported a combined fund balance of \$121,572, a decrease of \$58,355 over the prior fiscal year's total of \$179,927. The following are the major reasons for the changes in fund balances of the business type activities funds from the prior year.

- The Water Fund cash balance decreased by \$21,739 to \$191,608 during the fiscal year. A wet spring and early summer reduced water usage by Logan residents.
- The Sewer Fund cash balance decreased by \$36,616 to a deficit balance of \$70,036 during the fiscal year. Sewer rates are 70% of water billings. A reduction in water utility receipts results in a corresponding reduction in sewer utility receipts.

BUDGETARY HIGHLIGHTS

The City amended its budget on March 7, 2005. The amended budget increased revenues by \$15,000 and increased disbursements by \$32,514, the majority of which increased culture and recreation and debt service disbursements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION

At June 30, 2005, the City had \$2,234,134 in bonds and other long-term debt compared to \$2,358,489 last year, as shown below.

Outstanding Debt at Year-End			
		2005	2004
General obligation bonds	\$	669,134	\$ 688,489
Revenue notes		1,565,000	1,670,000
Total	\$	2,234,134	\$ 2,358,489

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$669,134 is significantly below its constitutional debt limit of \$2.79 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Logan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. One of those factors is an additional \$45,000 in franchise fees.

This factor was taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$1,186,829, a decrease of 6% from the final 2005 budget. Budgeted disbursements are expected to decrease by \$73,484, which represents a 6% decrease from the final 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by \$64,376, an 18% decrease.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about his report or need additional financial information, contact Nedra Fliehe, City Clerk, 108 West 4th Street, Logan, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Disbursements	Program Receipts	
		Charges for Services	Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 181,560	\$ 9,301	\$ -0-
Public works	306,844	45,801	-0-
Health and social services	4,000	-0-	-0-
Cultures and recreation	130,209	21,994	24,837
Community and economic development	1,950	-0-	100
General government	91,532	29,420	-0-
Debt service	141,237	-0-	-0-
Capital projects	-0-	1,215	-0-
Total governmental activities	<u>857,332</u>	<u>107,731</u>	<u>24,937</u>
Business type activities:			
Water	252,217	228,502	1,705
Sewer	156,402	119,786	-0-
Total business type activities	<u>408,619</u>	<u>348,288</u>	<u>1,705</u>
Total	\$ <u>1,265,951</u>	\$ <u>456,019</u>	\$ <u>26,642</u>
General receipts:			
Property taxes levied for:			
General purposes			
Debt service			
Local option sales tax			
Road use tax			
Unrestricted investment earnings			
Total general receipts			
Change in cash balance			
Net assets, beginning of year			
Net assets, end of year			
Assets			
Cash			
Net Assets			
Restricted:			
Streets			
Debt service			
Permanent			
Unrestricted			
Total net assets			

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total
Functions / Programs:			
Governmental activities:			
Public safety	\$ (172,259)	-0-	\$ (172,259)
Public works	(261,043)	-0-	(261,043)
Health and social services	(4,000)	-0-	(4,000)
Cultures and recreation	(83,378)	-0-	(83,378)
Community and economic development	(1,850)	-0-	(1,850)
General government	(62,112)	-0-	(62,112)
Debt service	(141,237)	-0-	(141,237)
Capital projects	1,215	-0-	1,215
Total governmental activities	(724,664)	-0-	(724,664)
Business type activities:			
Water	-0-	(22,010)	(22,010)
Sewer	-0-	(36,616)	(36,616)
Total business type activities	-0-	(58,626)	(58,626)
Total	(724,664)	(58,626)	(783,290)
	363,786	-0-	363,786
	126,469	-0-	126,469
	78,705	-0-	78,705
	128,460	-0-	128,460
	916	271	1,187
	698,336	271	698,607
	(26,328)	(58,355)	(84,683)
	259,686	179,927	439,613
	\$ 233,358	\$ 121,572	\$ 354,930
	\$ 233,358	\$ 121,572	\$ 354,930
	\$ 17,882	\$ -0-	\$ 17,882
	1,246	138,615	139,861
	55,648	-0-	55,648
	158,582	(17,043)	141,539
	\$ 233,358	\$ 121,572	\$ 354,930

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue	
		Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 281,783	\$ -0-	\$ -0-
Other city tax	8	-0-	78,705
Licenses and permits	6,616	-0-	-0-
Use of money and property	11,691	-0-	352
Intergovernmental	9,795	128,460	-0-
Charges for services	40,355	-0-	-0-
Special assessments	1,047	-0-	-0-
Miscellaneous	60,714	-0-	-0-
Total receipts	412,009	128,460	79,057
Disbursements:			
Operating:			
Public safety	143,864	-0-	2,561
Public works	43,203	157,485	89,708
Health and social services	-0-	-0-	4,000
Culture and recreation	122,317	-0-	3,000
Community and economic development	1,950	-0-	-0-
General government	77,477	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	388,811	157,485	99,269
Excess (deficiency) of receipts over (under) disbursements	23,198	(29,025)	(20,212)
Other financing sources (uses):			
Sale of capital assets	960	-0-	-0-
Operating transfers in	10,659	-0-	-0-
Operating transfers out	(4,750)	-0-	-0-
Total other financing sources (uses)	6,869	-0-	-0-
Excess (deficiency) of receipts and other financing sources (uses) over (under) other financing sources (uses)	30,067	(29,025)	(20,212)
Cash basis fund balance, beginning of year	9,073	46,907	130,402
Cash basis fund balance, end of year	\$ 39,140	\$ 17,882	\$ 110,190
Cash Basis Assets			
Cash	\$ 39,140	\$ 17,882	\$ 110,190
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	39,140	-0-	-0-
Special revenue funds	-0-	17,882	110,190
Capital projects funds	-0-	-0-	-0-
Permanent funds	-0-	-0-	-0-
Total fund balance	\$ 39,140	\$ 17,882	\$ 110,190

See notes to financial statements.

CITY OF LOGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 271	\$ -0-	\$ 271
Charges for services	222,399	119,786	342,185
Miscellaneous	1,069	-0-	1,069
Total receipts	<u>223,739</u>	<u>119,786</u>	<u>343,525</u>
Operating disbursements:			
Business type activities	145,693	64,204	209,897
Total disbursements	<u>145,693</u>	<u>64,204</u>	<u>209,897</u>
Operating income	78,046	55,582	133,628
Non-operating receipts (disbursements):			
Interest on investments	1,705	-0-	1,705
Meter deposits	5,034	-0-	5,034
Meter deposit refunds	(4,634)	-0-	(4,634)
Debt service	(101,890)	(92,198)	(194,088)
Total non-operating receipts (disbursements)	<u>(99,785)</u>	<u>(92,198)</u>	<u>(191,983)</u>
Excess (deficiency) of receipts over (under) disbursements	(21,739)	(36,616)	(58,355)
Cash basis fund balance, beginning of year	<u>213,347</u>	<u>(33,420)</u>	<u>179,927</u>
Cash basis fund balances, end of year	\$ <u>191,608</u>	\$ <u>(70,036)</u>	\$ <u>121,572</u>
Cash Basis Assets			
Cash	\$ <u>191,608</u>	\$ <u>(70,036)</u>	\$ <u>121,572</u>
Cash Basis Fund Balances			
Reserved:			
Meter deposits	\$ 9,003	\$ -0-	\$ 9,003
Sinking funds	138,615	-0-	138,615
Unreserved	43,990	(70,036)	(26,046)
Total fund balance	\$ <u>191,608</u>	\$ <u>(70,036)</u>	\$ <u>121,572</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Logan is a political subdivision of the state of Iowa and located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission and Harrison County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (cont'd.)

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, which the difference reported as net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (Cont'd)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. At June 30, 2005, disbursements did not exceed amounts budgeted.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2005, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$354,930 as of June 30, 2005.

NOTE 3 LONG-TERM DEBTS

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 91,313	\$ 40,538	\$ 107,000	\$ 76,943	\$ 198,313	\$ 117,481
2007	94,593	35,136	114,000	71,552	208,593	106,688
2008	100,911	29,467	121,000	65,737	221,911	95,204
2009	102,318	23,340	128,000	59,239	230,318	82,579
2010	85,000	17,038	135,000	52,273	220,000	69,311
2011	95,000	11,895	142,000	44,868	237,000	56,763
2012	100,000	6,100	150,000	37,019	250,000	43,119
2013	-0-	-0-	62,000	28,724	62,000	28,724
2014	-0-	-0-	65,000	26,058	65,000	26,058
2015	-0-	-0-	68,000	23,263	68,000	23,263
2016	-0-	-0-	71,000	20,339	71,000	20,339
2017	-0-	-0-	74,000	17,286	74,000	17,286
2018	-0-	-0-	77,000	14,104	77,000	14,104
2019	-0-	-0-	80,000	10,793	80,000	10,793
2020	-0-	-0-	84,000	7,353	84,000	7,353
2021	-0-	-0-	87,000	3,741	87,000	3,741
Total	\$ 669,135	\$ 163,514	\$ 1,565,000	\$ 559,292	\$ 2,234,135	\$ 722,806

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 LONG-TERM DEBT (continued)

General Obligation Debt Resolutions

The resolutions providing for the issuance of the general obligation debt include the following:

- (a) The levy of taxes sufficient to provide payment of principal and interest when due.
- (b) Proceeds of the tax levy are to be collected in the debt service fund of the City.

The City is in compliance with the above provision.

Revenue Debt Resolutions

On April 1, 1998 the City issued a Water Revenue Note that was issued to refinance the May 1, 1989 Water Revenue Note.

The resolutions providing for the issuance of the water revenue notes include the following:

- (a) The debt will only be redeemed from the future net revenues of the utility.
- (b) The City shall impose, adjust and provide for the collection of rates to be charged to customers to produce revenues sufficient to pay for operation of the utility and leave a balance sufficient to pay the principal and interest on the revenue debts as they become due.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 LONG-TERM DEBT (continued)

In addition, the resolution providing for the issuance of the water revenue notes include the following provisions:

(a) A "Water Revenue Sinking Fund" shall be created to set aside from the future net revenues of the utility such portion sufficient to pay principal and interest on the bonds as they become due. The minimum amount to be set aside each month shall be equal to 1/12 of the principal May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

(b) \$40,000 of the loan proceeds shall be set aside into a special fund designated as the "Reserve Account" used to pay principal and interest whenever for any reason the funds in the Sinking Fund are insufficient to pay principal and interest due.

Lease - Purchase Contracts

The City entered into a lease-purchase contract for a street sweeper. The contract requires five annual payments of \$23,821.

NOTE 4 PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute a 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$20,499, \$20,072 and \$17,786, respectively, equal to the required contributions for each year.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid one-half the accumulated sick leave. The City's approximate liability for earned compensated absences payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2005
Vacation/Personal Day	\$ 11,229
Compensatory time	236
Total	\$ 11,465

This liability has been computed on the rates of pay as of June 30, 2005.

NOTE 6 LEASE AGREEMENTS

In April, 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on the said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City.

Rental expense for the year ended June 30, 2005 was \$2,000.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 8,605
General	Permanent Fund	2,054
Capital Projects - Traffic Signal	General	4,750
Special Revenue - Self Insurance	Special Revenue - Employee Benefits	250
Total		\$ 15,659

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8 RELATED PARTY TRANSACTIONS

Business transactions between the City and City officials totaled \$8,425 during the year ended June 30, 2005.

NOTE 9 RISK MANAGEMENT

The City of Logan is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT FUND BALANCE

The Sewer Fund had deficit balances of \$70,036 and \$33,420 at June 30, 2005 and 2004, respectively.

NOTE 11 RESTATEMENT OF PRIOR YEAR FUND BALANCES

The general and local option sales tax fund balances have been restated by \$368 for the beginning of the year as follows:

	General		Local Option
As previously reported	\$ 8,705	\$	130,770
As restated	9,073		130,402
Net change	<u>368</u>	\$	<u>(368)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOGAN

BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 490,241	\$ -0-
Other city tax	78,719	-0-
Tax increment financing	-0-	-0-
Licenses and permits	6,616	-0-
Use of money and permits	14,097	1,976
Intergovernmental	138,255	-0-
Charges for services	40,355	342,185
Special assessments	1,047	-0-
Miscellaneous	60,714	6,103
Total receipts	<u>830,044</u>	<u>350,264</u>
Disbursements:		
Public safety	181,560	-0-
Public works	306,844	-0-
Health and social services	4,000	-0-
Culture and recreation	130,209	-0-
Community and economic development	1,950	-0-
General government	91,532	-0-
Debt service	141,237	-0-
Capital projects	-0-	-0-
Business type	-0-	408,619
Total disbursements	<u>857,332</u>	<u>408,619</u>
Excess (deficiency) of receipts over (under) disbursements	(27,288)	(58,355)
Other financing sources, net	<u>960</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources	(26,328)	(58,355)
Balance beginning of year	<u>259,686</u>	<u>179,927</u>
Balance end of year	<u>\$ 233,358</u>	<u>\$ 121,572</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 490,241	\$ 475,431	\$ 475,431	\$ 14,810
78,719	91,743	91,743	(13,024)
-0-	-0-	-0-	-0-
6,616	11,965	11,965	(5,349)
16,073	15,550	15,550	523
138,255	139,008	154,008	(15,753)
382,540	453,050	453,050	(70,510)
1,047	-0-	-0-	1,047
66,817	19,800	19,800	47,017
<u>1,180,308</u>	<u>1,206,547</u>	<u>1,221,547</u>	<u>(41,239)</u>
181,560	192,504	194,004	12,444
306,844	319,415	315,415	8,571
4,000	-0-	4,000	-0-
130,209	121,185	136,185	5,976
1,950	5,000	5,000	3,050
91,532	106,620	106,620	15,088
141,237	125,340	141,354	117
-0-	-0-	-0-	-0-
408,619	417,361	417,361	8,742
<u>1,265,951</u>	<u>1,287,425</u>	<u>1,319,939</u>	<u>53,988</u>
(85,643)	(80,878)	(98,392)	12,749
960	32,145	32,145	(31,185)
(84,683)	(48,733)	(66,247)	(18,436)
439,613	439,613	439,613	-0-
<u>\$ 354,930</u>	<u>\$ 390,880</u>	<u>\$ 373,366</u>	<u>\$ (18,436)</u>

CITY OF LOGAN

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$32,514. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue		
	Emergency	Forfeiture	Employee Benefits
Receipts:			
Property tax	\$ 8,656	\$ -0-	\$ 73,337
Other city tax	-0-	-0-	2
Use of money and property	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-
Total receipts	8,656	-0-	73,339
Disbursements:			
Operations:			
Public safety	-0-	-0-	35,135
Public works	-0-	-0-	16,448
Culture and recreation	-0-	-0-	4,892
General government	-0-	-0-	13,805
Capital projects	-0-	-0-	-0-
Total disbursements	-0-	-0-	70,280
Excess (deficiency) of receipts over (under) disbursements	8,656	-0-	3,059
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(8,605)	-0-	(250)
Net financing sources (uses)	(8,605)	-0-	(250)
Excess (deficiency) of receipts over (under) disbursements and other financing sources (uses)	51	-0-	2,809
Fund balances beginning of year	(37)	20	6,409
Fund balances end of year	\$ 14	\$ 20	\$ 9,218
Assets			
Cash	\$ 14	\$ 20	\$ 9,218
Fund Balances			
Unreserved:			
Special revenue funds	\$ 14	\$ 20	\$ 9,218
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ 14	\$ 20	\$ 9,218

See Accompanying Independent Auditor's Report

SCHEDULE 1

Special Revenue		Capital Projects	Permanent	
Self Insurance	Traffic Signal	Library	Total	
\$ -0-	\$ -0-	\$ -0-	\$ 81,993	
-0-	-0-	-0-	2	
-0-	-0-	2,054	2,054	
-0-	-0-	-0-	-0-	
<u>-0-</u>	<u>-0-</u>	<u>2,054</u>	<u>84,049</u>	
-0-	-0-	-0-	35,135	
-0-	-0-	-0-	16,448	
-0-	-0-	-0-	4,892	
250	-0-	-0-	14,055	
-0-	-0-	-0-	-0-	
<u>250</u>	<u>-0-</u>	<u>-0-</u>	<u>70,530</u>	
(250)	-0-	2,054	13,519	
250	4,750	-0-	5,000	
-0-	-0-	(2,054)	(10,909)	
<u>250</u>	<u>4,750</u>	<u>(2,054)</u>	<u>(5,909)</u>	
-0-	4,750	-0-	7,610	
-0-	(4,750)	55,648	57,290	
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>55,648</u>	\$ <u>64,900</u>	
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>55,648</u>	\$ <u>64,900</u>	
\$ -0-	\$ -0-	\$ -0-	\$ 9,252	
-0-	-0-	55,648	55,648	
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>55,648</u>	\$ <u>64,900</u>	

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation debt:			
Water improvement notes	May 1, 1995	4.90-6.10%	\$ 930,000
Lease - Purchase Utility Tractor Equipment Note	May 24, 2001	7.90%	\$ 12,729
	November 15, 2000	6.00%	\$ 82,000
Lease - Purchase Street Sweeper	May 23, 2005	6.73%	\$ 105,000
Revenue debt:			
Water improvement note	May 1, 1995	5.00-6.35%	\$ 615,000
Water notes	April 1, 1998	5.05-5.55%	\$ 320,000
Sewer notes	July 10, 2001	4.30%	\$ 1,210,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 650,000	\$ -0-	\$ 65,000	\$ 585,000	\$ 38,538	\$ 2,868
5,689	-0-	2,734	2,955	397	24
32,800	-0-	32,800	-0-	579	-0-
-0-	105,000	23,821	81,179	-0-	-0-
<u>\$ 688,489</u>	<u>\$ 105,000</u>	<u>\$ 124,355</u>	<u>\$ 669,134</u>	<u>\$ 39,514</u>	<u>\$ 2,892</u>
\$ 465,000	\$ -0-	\$ 25,000	\$ 440,000	\$ 29,008	\$ 4,528
120,000	-0-	35,000	85,000	6,550	1,166
1,085,000	-0-	45,000	1,040,000	46,655	3,727
<u>\$ 1,670,000</u>	<u>\$ -0-</u>	<u>\$ 105,000</u>	<u>\$ 1,565,000</u>	<u>\$ 82,213</u>	<u>\$ 9,421</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2005

General Obligation Debt

<u>Year Ended June 30,</u>	<u>Water Improvements Notes</u> <u>Issued May 1, 1995</u>		<u>Lease-Purchase Street Sweeper</u> <u>Issued May 23, 2005</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006	5.70%	70,000	6.73%	18,357
2007	5.80%	75,000	6.73%	19,593
2008	5.90%	80,000	6.73%	20,911
2009	6.00%	80,000	6.73%	22,318
2010	6.05%	85,000	--	-0-
2011	6.10%	95,000	--	-0-
2012	6.10%	100,000	--	-0-
Total		\$ <u>585,000</u>		\$ <u>81,179</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 3

Lease - Purchase Utility Tractor
Issued May 24, 2001

<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Total</u>
7.90%	2,956	91,313
--	-0-	94,593
--	-0-	100,911
--	-0-	102,318
--	-0-	85,000
--	-0-	95,000
--	-0-	100,000
	<u>\$ 2,956</u>	<u>\$ 669,135</u>

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2005

Revenue Debt

Year Ended June 30,	<u>Water Notes</u> Issued April 1, 1998		<u>Water Improvements Notes</u> Issued May 1, 1995	
	Interest Rates	Amount	Interest Rates	Amount
2006	5.45%	40,000	5.95%	20,000
2007	5.55%	45,000	6.05%	20,000
2008	--	-0-	6.15%	70,000
2009	--	-0-	6.25%	75,000
2010	--	-0-	6.30%	80,000
2011	--	-0-	6.35%	85,000
2012	--	-0-	6.35%	90,000
2013	--	-0-	--	-0-
2014	--	-0-	--	-0-
2015	--	-0-	--	-0-
2016	--	-0-	--	-0-
2017	--	-0-	--	-0-
2018	--	-0-	--	-0-
2019	--	-0-	--	-0-
2020	--	-0-	--	-0-
2021	--	-0-	--	-0-
Total		\$ <u>85,000</u>		\$ <u>440,000</u>

See Accompanying Independent Auditor's Report

SCHEDULE 3
(Continued)

Sewer Revenue Note
Issued July 10, 2001

Year Ended June 30,	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2006	4.30%	47,000	107,000
2007	4.30%	49,000	114,000
2008	4.30%	51,000	121,000
2009	4.30%	53,000	128,000
2010	4.30%	55,000	135,000
2011	4.30%	57,000	142,000
2012	4.30%	60,000	150,000
2013	4.30%	62,000	62,000
2014	4.30%	65,000	65,000
2015	4.30%	68,000	68,000
2016	4.30%	71,000	71,000
2017	4.30%	74,000	74,000
2018	4.30%	77,000	77,000
2019	4.30%	80,000	80,000
2020	4.30%	84,000	84,000
2021	4.30%	87,000	87,000
Total		\$ <u>1,040,000</u>	\$ <u>1,565,000</u>

CITY OF LOGAN

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST THREE YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:			
Property and other city taxes	\$ 568,960	\$ 551,596	\$ 595,777
Tax increment financing	-0-	-0-	11,036
License and permits	6,616	7,214	6,194
Use of money and property	14,097	14,436	12,716
Intergovernmental	138,255	145,587	159,980
Charges for service	40,355	34,709	33,859
Special assessments	1,047	113	19
Miscellaneous	60,714	32,527	164,687
Note proceeds	-0-	-0-	10,500
Sale of assets	960	500	165
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>831,004</u>	\$ <u>786,682</u>	\$ <u>994,933</u>
Disbursements:			
Operating:			
Public safety	\$ 181,560	\$ 187,909	\$ 153,138
Public works	306,844	166,602	246,094
Health and social services	4,000	-0-	-0-
Culture and recreation	130,209	122,089	129,547
Community and economic development	1,950	530	3,264
General government	91,532	90,396	97,384
Debt service	141,237	135,737	143,874
Capital projects	-0-	54,750	105,201
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>857,332</u>	\$ <u>758,013</u>	\$ <u>878,502</u>

See accompanying independent auditor's report.

**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**

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 9, 2005

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 STANDARD

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

231 W. Lyon
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated August 9, 2005. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Logan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Logan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .

August 9, 2005
To the Honorable Mayor and
Members of the City Council:
Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 05-II-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-II-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Logan during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


W. J. Welford Associates, CPA, P.C.
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CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

05-II-A Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF LOGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 05-III-A Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- 05-III-B Certified Budget - Disbursements during the year ended June 30, 2005, did not exceed the functional amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- 05-III-C Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 05-III-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 05-III-E Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.
- 05-III-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-III-G Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. Two instances of noncompliance with publishing requirements were noted, however. Receipts for February and May 2005 were not presented for publication nor published. Total governmental receipts should be published monthly.
- 05-III-H Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.

CITY OF LOGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (Cont'd)

05-III-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.

05-III-J Statistical Information

	For the year ended June 30, 2005
Gallons of water billed	42,247,992
Gallons of water used by the City	3,789,570
Gallons of water unaccounted for	16,519,438
Gallons of water pumped	<u>62,557,000</u>

CITY OF LOGAN
LOGAN, IOWA 51546
NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Logan, Iowa.

The City's receipts totaled \$1,181,268 for the year ended June 30, 2005, a 16 percent increase from 2004. The receipts included \$490,255 from property tax, \$456,019 from charges for services, \$26,642 from operating grants, contributions and restricted interest, \$78,705 from local option sales tax, \$1,187 from unrestricted investment earnings and \$128,460 in other general receipts.

Disbursements for the year totaled \$1,265,951, a 7 percent increase from 2004, and included \$306,844 for public works, \$252,217 for water and \$181,560 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.