

CITY OF LOGAN

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

JUNE 30, 2006

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
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 2005
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite
(After January 2006)		
Michael Foutch	Mayor	December 2007
Lisa Winther	Mayor Pro-Tem	December 2007
Dennis Crum	Council Member	December 2007
Randy Fetter	Council Member	December 2009
Brian Knau	Council Member	December 2009
Art McWilliams	Council Member	December 2007
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 9, 2006

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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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, 2006, 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, 2006

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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, 2006, 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, 2006 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 9, and 26 through 27 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, 2005 (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. J. Lupat Associates, CPA, P.C.

**CITY OF LOGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

As management of the City of Logan, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund 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, Local Option Tax, and Employee Benefits, 3) Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services 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.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Analysis of significant changes in financial position and fund balances: The cash basis of the net assets of the City's governmental activities increased 15.9% from a year ago, increasing from \$233,358 to \$270,406 for a net change of \$37,408 during the fiscal year ended June 30, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following is the changes in the cash basis of the net assets of the City's governmental activities:

Changes in Net Assets of Governmental Activities		Year ended June 30,	
	2006	2005	
Receipts:			
Program receipts:			
Charges for services	\$ 142,261	\$ 107,731	
Operating grants, contributions and restricted interest	24,924	24,937	
General receipts:			
Property tax	480,092	490,255	
Local option sales tax	76,634	78,705	
Road use tax	129,356	128,460	
Unrestricted investment earnings	1,610	916	
Total receipts	854,877	831,004	
Disbursements:			
Public safety	207,762	181,560	
Public works	259,961	306,844	
Health and social services	4,000	4,000	
Culture and recreation	122,520	130,209	
Community and economic development	11,356	1,950	
General government	103,801	91,532	
Debt service	108,429	141,237	
Total disbursements	817,829	857,332	
Increase (decrease) in cash	37,048	(26,328)	
Net assets, beginning of year	233,358	259,686	
Net assets, end of year	\$ 270,406	\$ 233,358	

The cash basis of the net assets of the City's business type activities decreased \$64,246 during the fiscal year ended June 30, 2006. This decrease is comparable to the prior year decrease to cash basis net assets. The City Council increased water and sewer rates modestly during the year ended June 30, 2006 and will vote on rate increases again for the year ended June 30, 2007. Water and sewer rates were established in the early 1990's and rate increases are long overdue.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The following is the changes in the cash basis of the net assets of the City’s business type activities:

Changes in Net Assets of Business Type Activities		
	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for services and sales:		
Water	\$ 250,389	\$ 223,468
Sewer	124,963	119,786
Capital grants, contribution, And restricted interest	2,205	1,705
General receipts:		
Unrestricted interest	426	271
Meter deposits	6,389	5,034
Total receipts	<u>384,372</u>	<u>350,264</u>
Disbursements:		
Water	183,117	145,693
Sewer	75,335	64,204
Debt service	185,463	194,088
Meter deposit refunds	4,703	4,634
Total disbursements	<u>448,618</u>	<u>408,619</u>
Increase (decrease) in cash	(64,246)	(58,355)
Net assets, beginning of year	<u>121,572</u>	<u>179,927</u>
Net assets, end of year	<u>\$ 57,326</u>	<u>\$ 121,572</u>

Analysis between actual and budget amounts: The City amended its budget on February 16, 2006. The amended budget increased revenue by \$35,000 and increased disbursements by \$91,000, the majority of which increased sewer and water disbursements.

Debt Administration: At June 30, 2006, the City had \$2,060,822 in bonds and other long-term debt compared to \$2,234,134 last year, as shown below.

Outstanding Debt at Year-End		
	2006	2005
General obligation bonds	\$ 602,822	\$ 669,134
Revenue notes	1,458,000	1,565,000
Total	<u>\$ 2,060,822</u>	<u>\$ 2,234,134</u>

Debt decreased as a result of a lease purchase agreement being fulfilled, refinancing of general obligation water improvement notes, and normal yearly principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 \$602,822 is significantly below its constitutional debt limit of \$2.78 million.

Future financial statement impact: As mentioned previously, the City Council initiated water and sewer rate increases in July 2006. The purpose of the proposed increased rates is to reduce the sewer fund deficit and to fund water reserves for servicing the outstanding debt of the proprietary funds. Also, street resurfacing was delayed until fiscal year 2007 after it was determined to be a more efficient use of financial resources.

Requests for information: Requests for additional information can be made to the Logan City Administrator, Nedra Fliehe, at 108 West 4th Street, Logan, Iowa 51546.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Disbursements	Program Receipts	
		Charges for Services	Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 207,762	\$ 4,965	\$ -0-
Public works	259,961	40,471	-0-
Health and social services	4,000	-0-	-0-
Cultures and recreation	122,520	14,873	14,412
Community and economic development	11,356	-0-	10,512
General government	103,801	81,952	-0-
Debt service	108,429	-0-	-0-
Total governmental activities	817,829	142,261	24,924
Business type activities:			
Water	281,043	256,778	2,205
Sewer	167,575	124,963	-0-
Total business type activities	448,618	381,741	2,205
Total	\$ 1,266,447	\$ 524,002	\$ 27,129
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	\$ (202,797)	-0-	\$ (202,797)
Public works	(219,490)	-0-	(219,490)
Health and social services	(4,000)	-0-	(4,000)
Cultures and recreation	(93,235)	-0-	(93,235)
Community and economic development	(844)	-0-	(844)
General government	(21,849)	-0-	(21,849)
Debt service	(108,429)	-0-	(108,429)
Total governmental activities	(650,644)	-0-	(650,644)
Business type activities:			
Water	-0-	(22,060)	(22,060)
Sewer	-0-	(42,612)	(42,612)
Total business type activities	-0-	(64,672)	(64,672)
Total	(650,644)	(64,672)	(715,316)
	370,840	-0-	370,840
	109,252	-0-	109,252
	76,634	-0-	76,634
	129,356	-0-	129,356
	1,610	426	2,036
	687,692	426	688,118
	37,048	(64,246)	(27,198)
	233,358	121,572	354,930
	\$ 270,406	\$ 57,326	\$ 327,732
	\$ 270,406	\$ 57,326	\$ 327,732
	7,603	-0-	7,603
	2,069	100,955	103,024
	55,648	-0-	55,648
	205,086	(43,629)	161,457
	\$ 270,406	\$ 57,326	\$ 327,732

CITY OF LOGAN

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue		
	General	Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 281,383	\$ -0-	\$ -0-
Other city tax	111	-0-	76,634
Licenses and permits	4,457	-0-	-0-
Use of money and property	14,721	-0-	590
Intergovernmental	11,822	129,356	-0-
Charges for services	35,042	-0-	-0-
Special assessments	179	-0-	-0-
Miscellaneous	96,870	-0-	-0-
Total receipts	<u>444,585</u>	<u>129,356</u>	<u>77,224</u>
Disbursements:			
Operating:			
Public safety	172,393	-0-	-0-
Public works	42,843	139,635	52,569
Health and social services	-0-	-0-	4,000
Culture and recreation	113,675	-0-	3,468
Community and economic development	11,356	-0-	-0-
General government	88,426	-0-	-0-
Debt service	-0-	-0-	-0-
Total disbursements	<u>428,693</u>	<u>139,635</u>	<u>60,037</u>
Excess (deficiency) of receipts over (under) disbursements	15,892	(10,279)	17,187
Other financing sources (uses):			
Sale of capital assets	3,000	-0-	-0-
Operating transfers in	4,753	-0-	-0-
Operating transfers out	-0-	-0-	-0-
Total other financing sources (uses)	<u>7,753</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) other financing sources (uses)	23,645	(10,279)	17,187
Cash basis fund balance, beginning of year	<u>39,140</u>	<u>17,882</u>	<u>110,190</u>
Cash basis fund balance, end of year	\$ <u>62,785</u>	\$ <u>7,603</u>	\$ <u>127,377</u>
Cash Basis Assets			
Cash	\$ <u>62,785</u>	\$ <u>7,603</u>	\$ <u>127,377</u>
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	62,785	-0-	-0-
Special revenue funds	-0-	7,603	127,377
Permanent funds	-0-	-0-	-0-
Total fund balance	\$ <u>62,785</u>	\$ <u>7,603</u>	\$ <u>127,377</u>

See notes to financial statements.

EXHIBIT B

	Other Non-major Governmental Funds		Total
\$	198,520	\$	479,903
	78		76,823
	-0-		4,457
	2,114		17,425
	-0-		141,178
	-0-		35,042
	-0-		179
	-0-		96,870
	<u>200,712</u>		<u>851,877</u>
	35,369		207,762
	24,914		259,961
	-0-		4,000
	5,377		122,520
	-0-		11,356
	15,375		103,801
	108,429		108,429
	<u>189,464</u>		<u>817,829</u>
	11,248		34,048
	-0-		3,000
	250		5,003
	(5,003)		(5,003)
	<u>(4,753)</u>		<u>3,000</u>
	6,495		37,048
	<u>66,146</u>		<u>233,358</u>
\$	<u>72,641</u>	\$	<u>270,406</u>
\$	<u>72,641</u>	\$	<u>270,406</u>
\$	2,069	\$	2,069
	-0-		62,785
	14,924		149,904
	55,648		55,648
\$	<u>72,641</u>	\$	<u>270,406</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, health and social services, 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, 2006

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, 2006

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, 2006, disbursements did not exceed amounts budgeted.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2006, 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 \$327,732 as of June 30, 2006.

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
2007	\$ 104,593	\$ 23,163	\$ 114,000	\$ 71,552	\$ 218,593	\$ 94,715
2008	110,911	19,082	121,000	65,737	231,911	84,819
2009	107,318	14,659	128,000	59,239	235,318	73,898
2010	90,000	10,225	135,000	52,273	225,000	62,498
2011	95,000	7,030	142,000	44,868	237,000	51,898
2012	95,000	3,563	150,000	37,019	245,000	40,582
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	\$ 602,822	\$ 77,722	\$ 1,458,000	\$ 482,349	\$ 2,060,822	\$ 560,071

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006

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. As of June 30, 2006, two payments have been made and three remain.

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.

Most plan members are required to contribute a 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$20,182, \$20,499 and \$20,072, respectively, equal to the required contributions for each year.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2006
Vacation/Personal Day	\$ 9,576
Compensatory time	79
Total	\$ 9,655

This liability has been computed on the rates of pay as of June 30, 2006.

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, 2006 was \$2,000.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 2,639
General	Permanent Fund	2,114
Special Revenue - Self Insurance	Special Revenue - Employee Benefits	250
Total		\$ 5,003

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 RELATED PARTY TRANSACTIONS

Business transactions between the City and City officials totaled \$6,649 during the year ended June 30, 2006.

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 \$112,648 and \$70,036 at June 30, 2006 and 2005, respectively.

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 479,903	\$ -0-
Other city tax	76,823	-0-
Licenses and permits	4,457	-0-
Use of money and permits	17,425	2,631
Intergovernmental	141,178	-0-
Charges for services	35,042	369,970
Special assessments	179	-0-
Miscellaneous	96,870	11,771
Total receipts	<u>851,877</u>	<u>384,372</u>
Disbursements:		
Public safety	207,762	-0-
Public works	259,961	-0-
Health and social services	4,000	-0-
Culture and recreation	122,520	-0-
Community and economic development	11,356	-0-
General government	103,801	-0-
Debt service	108,429	-0-
Business type	-0-	448,618
Total disbursements	<u>817,829</u>	<u>448,618</u>
Excess (deficiency) of receipts over (under) disbursements	34,048	(64,246)
Other financing sources, net	<u>3,000</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources	37,048	(64,246)
Balance beginning of year	<u>233,358</u>	<u>121,572</u>
Balance end of year	<u>\$ 270,406</u>	<u>\$ 57,326</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 479,903	\$ 462,796	\$ 462,796	\$ 17,107
76,823	84,693	89,693	(12,870)
4,457	11,890	11,890	(7,433)
20,056	16,400	16,400	3,656
141,178	136,050	136,050	5,128
405,012	407,750	412,750	(7,738)
179	1,000	1,000	(821)
108,641	65,750	90,750	17,891
<u>1,236,249</u>	<u>1,186,329</u>	<u>1,221,329</u>	<u>14,920</u>
207,762	196,708	218,708	10,946
259,961	279,731	282,731	22,770
4,000	4,000	4,000	-0-
122,520	142,155	143,155	20,635
11,356	5,000	20,000	8,644
103,801	106,385	106,385	2,584
108,429	108,428	108,428	(1)
448,618	408,798	458,798	10,180
<u>1,266,447</u>	<u>1,251,205</u>	<u>1,342,205</u>	<u>75,758</u>
(30,198)	(64,876)	(120,876)	90,678
<u>3,000</u>	<u>500</u>	<u>500</u>	<u>2,500</u>
(27,198)	(64,376)	(120,376)	93,178
<u>354,930</u>	<u>354,930</u>	<u>354,930</u>	<u>-0-</u>
<u>\$ 327,732</u>	<u>\$ 290,554</u>	<u>\$ 234,554</u>	<u>\$ 93,178</u>

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, 2006

	Special Revenue		
	Emergency	Forfeiture	Employee Benefits
Receipts:			
Property tax	\$ 8,559	\$ -0-	\$ 80,752
Other city tax	3	-0-	32
Use of money and property	-0-	-0-	-0-
Total receipts	<u>8,562</u>	<u>-0-</u>	<u>80,784</u>
Disbursements:			
Operations:			
Public safety	-0-	-0-	35,369
Public works	5,937	-0-	18,977
Culture and recreation	-0-	-0-	5,377
General government	-0-	-0-	15,125
Debt service	-0-	-0-	-0-
Total disbursements	<u>5,937</u>	<u>-0-</u>	<u>74,848</u>
Excess (deficiency) of receipts over (under) disbursements	2,625	-0-	5,936
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(2,639)	-0-	(250)
Net financing sources (uses)	<u>(2,639)</u>	<u>-0-</u>	<u>(250)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing sources (uses)	(14)	-0-	5,686
Fund balances beginning of year	<u>14</u>	<u>20</u>	<u>9,218</u>
Fund balances end of year	\$ <u>-0-</u>	\$ <u>20</u>	\$ <u>14,904</u>
Assets			
Cash	\$ <u>-0-</u>	\$ <u>20</u>	\$ <u>14,904</u>
Fund Balances			
Unreserved:			
Special revenue funds	\$ -0-	\$ 20	\$ 14,904
Debt service	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ <u>-0-</u>	\$ <u>20</u>	\$ <u>14,904</u>

See Accompanying Independent Auditor's Report

SCHEDULE 1

	Special Revenue	Debt Service	Permanent	
	Self	Debt	Library	Total
	Insurance	Service		
\$	-0-	\$ 109,209	\$ -0-	\$ 198,520
	-0-	43	-0-	78
	-0-	-0-	2,114	2,114
	<u>-0-</u>	<u>109,252</u>	<u>2,114</u>	<u>200,712</u>
	-0-	-0-	-0-	35,369
	-0-	-0-	-0-	24,914
	-0-	-0-	-0-	5,377
	250	-0-	-0-	15,375
	-0-	108,429	-0-	108,429
	<u>250</u>	<u>108,429</u>	<u>-0-</u>	<u>189,464</u>
	(250)	823	2,114	11,248
	250	-0-	-0-	250
	-0-	-0-	(2,114)	(5,003)
	<u>250</u>	<u>-0-</u>	<u>(2,114)</u>	<u>(4,753)</u>
	-0-	823	-0-	6,495
	-0-	1,246	55,648	66,146
\$	<u>-0-</u>	<u>2,069</u>	<u>55,648</u>	<u>72,641</u>
\$	<u>-0-</u>	<u>2,069</u>	<u>55,648</u>	<u>72,641</u>
\$	-0-	\$ -0-	\$ -0-	\$ 14,924
	-0-	2,069	-0-	2,069
	-0-	-0-	55,648	55,648
\$	<u>-0-</u>	<u>2,069</u>	<u>55,648</u>	<u>72,641</u>

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation debt:			
Water improvement notes	May 1, 1995	4.90-6.10%	\$ 930,000
Lease - Purchase Utility Tractor	May 24, 2001	7.90%	\$ 12,729
GO Refunding Bonds	September 15, 2005	3.25-3.75%	\$ 540,000
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>
\$ 585,000	\$ -0-	\$ 585,000	\$ -0-	\$ 21,433	\$ -0-
2,955	-0-	2,955	-0-	396	-0-
-0-	540,000	-0-	540,000	13,465	1,556
81,179	-0-	18,357	62,822	5,464	-0-
<u>\$ 669,134</u>	<u>\$ 540,000</u>	<u>\$ 606,312</u>	<u>\$ 602,822</u>	<u>\$ 40,758</u>	<u>\$ 1,556</u>
\$ 440,000	\$ -0-	\$ 20,000	\$ 420,000	\$ 27,545	\$ 4,332
85,000	-0-	40,000	45,000	4,678	623
1,040,000	-0-	47,000	993,000	44,720	3,558
<u>\$ 1,565,000</u>	<u>\$ -0-</u>	<u>\$ 107,000</u>	<u>\$ 1,458,000</u>	<u>\$ 76,943</u>	<u>\$ 8,513</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2006

General Obligation Debt

Year Ended June 30,	<u>General Obligation Refunding Bonds</u> <u>Issued September 15, 2005</u>		<u>Lease-Purchase Street Sweeper</u> <u>Issued May 23, 2005</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2007	3.25%	\$ 85,000	6.73%	\$ 19,593	\$ 104,593
2008	3.35%	90,000	6.73%	20,911	110,911
2009	3.45%	85,000	6.73%	22,318	107,318
2010	3.55%	90,000	--	-0-	90,000
2011	3.65%	95,000	--	-0-	95,000
2012	3.75%	95,000	--	-0-	95,000
Total		\$ <u>540,000</u>		\$ <u>62,822</u>	\$ <u>602,822</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN

DEBT MATURITIES

YEAR ENDED JUNE 30, 2006

Revenue Debt

Year Ended June 30,	<u>Water Notes</u> <u>Issued April 1, 1998</u>		<u>Water Improvements Notes</u> <u>Issued May 1, 1995</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
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>\$ 45,000</u>		<u>\$ 420,000</u>

See Accompanying Independent Auditor's Report

SCHEDULE 3
(Continued)

Sewer Revenue Note
Issued July 10, 2001

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
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>933,000</u>	\$ <u>1,458,000</u>

CITY OF LOGAN

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

FOR THE LAST FOUR YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:				
Property and other city taxes	\$ 556,726	\$ 568,960	\$ 551,596	\$ 595,777
Tax increment financing	-0-	-0-	-0-	11,036
License and permits	4,457	6,616	7,214	6,194
Use of money and property	17,425	14,097	14,436	12,716
Intergovernmental	140,722	138,255	145,587	159,980
Charges for service	35,042	40,355	34,709	33,859
Special assessments	179	1,047	113	19
Miscellaneous	97,326	60,714	32,527	164,687
Note proceeds	-0-	-0-	-0-	10,500
Sale of assets	3,000	960	500	165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>854,877</u>	\$ <u>831,004</u>	\$ <u>786,682</u>	\$ <u>994,933</u>
Disbursements:				
Operating:				
Public safety	\$ 207,762	\$ 181,560	\$ 187,909	\$ 153,138
Public works	259,961	306,844	166,602	246,094
Health and social services	4,000	4,000	-0-	-0-
Culture and recreation	122,520	130,209	122,089	129,547
Community and economic development	11,356	1,950	530	3,264
General government	103,801	91,532	90,396	97,384
Debt service	108,429	141,237	135,737	143,874
Capital projects	-0-	-0-	54,750	105,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>817,829</u>	\$ <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, 2006

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

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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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated August 9, 2006. 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, 2006
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 06-II-A is a material weakness. Prior year reportable conditions have been resolved except for item 05-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, 2006 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. Hupfrest Associates, CPA, P.C.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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

06-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, 2006

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 06-III-A Certified Budget - Disbursements during the year ended June 30, 2006, 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.
- 06-III-B 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.
- 06-III-C Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 06-III-D 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.
- 06-III-E 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.
- 06-III-F Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. It was noted that the City Administrator did not sign the minutes in one instance.
- Recommendation - The City should have both the Mayor and City Administrator sign all copies of the minutes.
- Response - We will adopt this recommendation.
- Conclusion - Response accepted.
- 06-III-G Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.
- 06-III-H 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.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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

06-III-I Payments of General Obligation Notes - Principal and interest of the street sweeper capital lease was paid from the Special Revenue Fund - Local Option Sales Tax Fund. Chapter 384.4 of the Code of Iowa state in part that *“Monies pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the Debt Service Fund.”*

Recommendation - The City should make operating transfers from the Local Option Sales Tax Fund to the Debt Service Fund. Payments of principal and interest on the street sweeper capital lease should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

06-III-J Statistical Information

	For the year ended June 30, 2006
Gallons of water billed	45,672,419
Gallons of water used by the City	4,762,590
Gallons of water unaccounted for	18,163,991
Gallons of water pumped	68,599,000

