

CITY OF LOGAN

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

JUNE 30, 2008

TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor's Report		4 - 5
Management's Discussion and Analysis		6 - 9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Activities and Net Assets - Cash Basis	A	11 - 12
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13 - 14
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		17 - 24
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		26 - 27
Notes to Required Supplementary Information - Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Non-major Governmental Funds	1	30 - 31
Schedule of Indebtedness	2	32 - 33
Bond and Note Maturities	3	34 - 36
Schedule of Receipts by Source and Disbursements By Function - All Governmental Fund Types	4	37
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		39 - 41
Schedule of Findings and Questioned Costs		42 - 43

CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
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
(After January 2008)		
Michael Foutch	Mayor	December 2009
Brian Knau	Mayor Pro-Tem	December 2009
Randy Fetter	Council Member	December 2009
Chris Hartwig	Council Member	December 2011
Scott Moss	Council Member	December 2011
Alan Whitmore	Council Member	December 2011
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 5, 2008

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, 2008, 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 5, 2008
Page Two

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, 2008, 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 5, 2008 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, 2007 (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. W. Mufflet Associates, CPA, P.C.

**CITY OF LOGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The City's cash balance for governmental activities increased 7% from a year ago, increasing by \$35,947 during the fiscal year ended June 30, 2008.

The analysis that follows focuses on the changes in the cash basis net assets of governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
Year ended June 30,			
	2008	2007	
Receipts:			
Program receipts:			
Charges for services	\$ 144,468	\$ 140,540	
Operating grants, contributions and restricted interest	152,964	149,322	
Capital grants, contributions and restricted interest	246,346	161,634	
General receipts:			
Property tax	479,534	464,352	
Local option sales tax	80,411	78,253	
Unrestricted investment earnings	2,327	3,022	
Sale of assets	11,076	-0-	
Total receipts	1,117,126	997,123	
Disbursements:			
Public safety	204,532	181,936	
Public works	291,764	208,141	
Health and social services	4,200	4,200	
Culture and recreation	194,703	141,513	
Community and economic development	2,050	2,736	
General government	109,151	104,123	
Debt service	130,394	128,156	
Capital projects	144,385	-0-	
Total disbursements	1,081,179	770,805	
Change in cash basis net assets	35,947	226,318	
Cash basis net assets, beginning of year	496,724	270,406	
Cash basis net assets, end of year	\$ 532,671	\$ 496,724	

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City's cash balance for business type activities decreased \$3,167 or 5% during the fiscal year ended June 30, 2008. The loss is primarily due to lagoon clean up after the 2007 floods.

The analysis that follows focuses on the changes in the cash basis net assets of business type activities:

Changes in Cash Basis Net Assets of Business Type Activities			
Year ended June 30,			
	2008		2007
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 246,237	\$	249,941
Sewer	150,044		147,546
Capital grants, contribution, and restricted interest	4,677		4,141
General receipts:			
Unrestricted interest	708		742
Meter deposits	4,800		3,852
Total receipts	<u>406,466</u>		<u>406,222</u>
Disbursements:			
Water	153,195		150,239
Sewer	68,861		67,543
Debt service	183,677		180,584
Meter deposit refunds	3,900		4,391
Total disbursements	<u>409,633</u>		<u>402,757</u>
Change in cash basis net assets	(3,167)		3,465
Cash basis net assets, beginning of year	<u>60,791</u>		<u>57,326</u>
Cash basis net assets, end of year	<u>\$ 57,624</u>	\$	<u>60,791</u>

Analysis between actual and budget amounts: The City amended its budget on May 19, 2008. The amended budget increased revenue by \$255,000 and increased disbursements by \$253,000. The budget was amended primarily to reflect the construction costs of the Aquatic Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2008, the City had \$1,615,319 in bonds and other long-term debt compared to \$1,852,230 last year, as shown below.

Outstanding Debt at Year-End			
		2008	2007
General obligation bonds	\$	387,319	\$ 498,230
Revenue notes		<u>1,228,000</u>	<u>1,354,000</u>
Total	\$	<u>1,615,319</u>	<u>\$ 1,852,230</u>

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 \$387,319 is significantly below its constitutional debt limit of \$2.8 million.

Future financial statement impact: The major project of the City is the Aquatic Center, scheduled for completion in 2009. The project is financed through grants, contributions and a twenty year construction note.

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 30, 2008

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 204,532	\$ 8,467	\$ -0-	\$ -0-
Public works	291,764	38,706	140,439	-0-
Health and social services	4,200	-0-	-0-	-0-
Cultures and recreation	194,703	20,434	12,525	11,520
Community and economic development	2,050	-0-	-0-	-0-
General government	109,151	76,861	-0-	-0-
Debt service	130,394	-0-	-0-	-0-
Capital projects	144,385	-0-	-0-	234,826
Total governmental activities	<u>1,081,179</u>	<u>144,468</u>	<u>152,964</u>	<u>246,346</u>
Business type activities:				
Water	248,708	251,037	4,677	-0-
Sewer	160,925	150,044	-0-	-0-
Total business type activities	<u>409,633</u>	<u>401,081</u>	<u>4,677</u>	<u>-0-</u>
Total	\$ <u>1,490,812</u>	\$ <u>545,549</u>	\$ <u>157,641</u>	\$ <u>246,346</u>
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings				
Sale of assets				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net assets				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Permanent				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Assets</u>			
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Functions / Programs:			
Governmental activities:			
Public safety	\$ (196,065)	\$ -0-	\$ (196,065)
Public works	(112,619)	-0-	(112,619)
Health and social services	(4,200)	-0-	(4,200)
Cultures and recreation	(150,224)	-0-	(150,224)
Community and economic development	(2,050)	-0-	(2,050)
General government	(32,290)	-0-	(32,290)
Debt service	(130,394)	-0-	(130,394)
Capital projects	90,441		90,441
Total governmental activities	<u>(537,401)</u>	<u>-0-</u>	<u>(537,401)</u>
Business type activities:			
Water	-0-	7,006	7,006
Sewer	-0-	(10,881)	(10,881)
Total business type activities	<u>-0-</u>	<u>(3,875)</u>	<u>(3,875)</u>
Total	(537,401)	(3,875)	(541,276)
	363,643	-0-	363,643
	115,891	-0-	115,891
	80,411	-0-	80,411
	2,327	708	3,035
	11,076	-0-	11,076
	<u>573,348</u>	<u>708</u>	<u>574,056</u>
	35,947	(3,167)	32,780
	496,724	60,791	557,515
	<u>\$ 532,671</u>	<u>\$ 57,624</u>	<u>\$ 590,295</u>
	\$ 3,232	\$ -0-	\$ 3,232
	1,122	111,948	113,070
	265,914	-0-	265,914
	136,342	-0-	136,342
	55,648	-0-	55,648
	70,413	(54,324)	16,089
	<u>\$ 532,671</u>	<u>\$ 57,624</u>	<u>\$ 590,295</u>

CITY OF LOGAN

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue		
	General	Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 283,003	\$ -0-	\$ -0-
Other city tax	31	-0-	80,411
Licenses and permits	6,556	-0-	-0-
Use of money and property	12,579	-0-	1,487
Intergovernmental	9,101	132,364	-0-
Charges for services	108,441	-0-	-0-
Special assessments	728	-0-	-0-
Miscellaneous	29,378	-0-	-0-
Total receipts	<u>449,817</u>	<u>132,364</u>	<u>81,898</u>
Disbursements:			
Operating:			
Public safety	169,512	-0-	910
Public works	45,911	140,214	87,797
Health and social services	-0-	-0-	4,200
Culture and recreation	160,384	-0-	30,025
Community and economic development	2,050	-0-	-0-
General government	92,981	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>470,838</u>	<u>140,214</u>	<u>122,932</u>
Excess (deficiency) of receipts over (under) disbursements	(21,021)	(7,850)	(41,034)
Other financing sources (uses):			
Sale of assets	1,251	-0-	-0-
Operating transfers in	11,007	-0-	-0-
Operating transfers out	(165,649)	-0-	(23,821)
Total other financing sources (uses)	<u>(153,391)</u>	<u>-0-</u>	<u>(23,821)</u>
Net change in cash balances	(174,412)	(7,850)	(64,855)
Cash balances, beginning of year	<u>244,825</u>	<u>11,082</u>	<u>163,360</u>
Cash balances, end of year	\$ <u>70,413</u>	\$ <u>3,232</u>	\$ <u>98,505</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	70,413	-0-	-0-
Special revenue funds	-0-	3,232	98,505
Capital project fund	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ <u>70,413</u>	\$ <u>3,232</u>	\$ <u>98,505</u>

See notes to financial statements.

EXHIBIT B

	Capital Projects	Other Non-major Governmental Funds	Total
\$	-0-	\$ 196,478	\$ 479,481
	-0-	22	80,464
	-0-	-0-	6,556
	7,040	2,571	23,677
	-0-	8,075	149,540
	-0-	-0-	108,441
	-0-	-0-	728
	227,785	-0-	257,163
	<u>234,825</u>	<u>207,146</u>	<u>1,106,050</u>
	-0-	34,110	204,532
	-0-	17,842	291,764
	-0-	-0-	4,200
	-0-	4,294	194,703
	-0-	-0-	2,050
	-0-	16,170	109,151
	-0-	130,394	130,394
	144,385	-0-	144,385
	<u>144,385</u>	<u>202,810</u>	<u>1,081,179</u>
	90,440	4,336	24,871
	9,825	-0-	11,076
	165,649	23,821	200,477
	-0-	(11,007)	(200,477)
	<u>175,474</u>	<u>12,814</u>	<u>11,076</u>
	265,914	17,150	35,947
	-0-	77,457	496,724
\$	<u>265,914</u>	<u>94,607</u>	<u>532,671</u>
\$	-0-	\$ 1,122	\$ 1,122
	-0-	-0-	70,413
	-0-	37,837	139,575
	265,914	-0-	265,914
	-0-	55,648	55,648
\$	<u>265,914</u>	<u>94,607</u>	<u>532,672</u>

CITY OF LOGAN

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 708	\$ -0-	\$ 708
Charges for services	245,644	148,845	394,489
Miscellaneous	593	1,199	1,792
Total operating receipts	<u>246,945</u>	<u>150,044</u>	<u>396,989</u>
Operating disbursements:			
Business type activities	<u>153,195</u>	<u>68,861</u>	<u>222,056</u>
Total operating disbursements	<u>153,195</u>	<u>68,861</u>	<u>222,056</u>
Excess of operating receipts over operating disbursements	93,750	81,183	174,933
Non-operating receipts (disbursements):			
Interest on investments	4,677	-0-	4,677
Meter deposits	4,800	-0-	4,800
Meter deposit refunds	(3,900)	-0-	(3,900)
Debt service	<u>(91,613)</u>	<u>(92,064)</u>	<u>(183,677)</u>
Total non-operating receipts (disbursements)	<u>(86,036)</u>	<u>(92,064)</u>	<u>(178,100)</u>
Net change in cash balances	7,714	(10,881)	(3,167)
Cash balances, beginning of year	<u>185,631</u>	<u>(124,840)</u>	<u>60,791</u>
Cash balances, end of year	\$ <u>193,345</u>	\$ <u>(135,721)</u>	\$ <u>57,624</u>
Cash Basis Fund Balances			
Reserved:			
Meter deposits	\$ 11,050	\$ -0-	\$ 11,050
Sinking funds	100,898	-0-	100,898
Unreserved	<u>81,397</u>	<u>(135,721)</u>	<u>(54,324)</u>
Total fund balance	\$ <u>193,345</u>	\$ <u>(135,721)</u>	\$ <u>57,624</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Logan is a political subdivision of the State of Iowa 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 impose specific financial burdens on the City. The City has no component units which meet the Governmental 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 or appointees 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 for services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

B. Basis of Presentation (cont'd.)

The Statement of Activities and Net Assets presents the City's non-fiduciary 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, contributions and interest on investments 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, 2008

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 Capital Projects Fund is utilized to account for the City's construction of the Aquatic Center.

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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements did not exceed the amounts budgeted for the year ended June 30, 2008. However, disbursements exceeded the amounts budgeted in the capital projects function before the budget was amended on May 19, 2008.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2008, 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 \$590,295 as of June 30, 2008.

NOTE 3 LONG-TERM DEBT

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
2009	\$ 107,319	\$ 14,659	\$ 133,000	\$ 51,724	\$ 240,319	\$ 66,383
2010	90,000	10,225	135,000	46,325	225,000	56,550
2011	95,000	7,030	142,000	40,800	237,000	47,830
2012	95,000	3,563	150,000	34,949	245,000	38,512
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	\$ 387,319	\$ 35,477	\$ 1,228,000	\$ 325,459	\$ 1,615,319	\$ 360,936

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 October 15, 2006, the City issued Water Revenue Refunding Bonds, Series 2006 that refinanced the City's Water Revenue Notes, Series 1995, dated May 1, 1995, and Water Revenue Refunding Notes, Series 1997, dated April 1, 1997.

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

- (a) The debt will only be redeemed from the future net revenues of the municipal waterworks system of the City.
- (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.
- (c) 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 due May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

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, 2008, four payments have been made and one remains.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 regular plan members are required to contribute a 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007, and 2006 were \$21,611, \$20,193, and \$20,182, respectively, equal to the required contributions for each year.

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, retirement 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 vacation and compensatory time payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2008
Vacation/Personal Day	\$ 14,805
Compensatory time	978
Total	\$ 15,783

This liability has been computed based on rates of pay in effect as of June 30, 2008.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008 was \$2,000.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 8,436
General	Permanent Fund	2,571
Capital Projects	General	165,649
Debt Service	Special Revenue - Local Option	23,821
Total		<u>\$ 200,477</u>

NOTE 8 RELATED PARTY TRANSACTIONS

Business transactions between the City and City officials totaled \$8,682 during the year ended June 30, 2008.

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. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT FUND BALANCE

At June 30, 2008, the Sewer Fund had deficit balances of \$135,721.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 COMMITMENTS

Jim Wood Aquatic Center

In June 2007, the City contracted for the first phase of engineering and construction of a community swimming pool. The estimated cost of the project is \$1.9 million. Approximately \$1,875,000 has been pledged for construction of the Aquatic Center from the Jim Wood Foundation, the Schildberg Foundation, the Harrison County Endowment Fund, the Iowa West Foundation, Vision Iowa, Perfection Learning Corporation and others. The project completion is scheduled for 2009.

NOTE 12 SUBSEQUENT EVENTS

On July 21, 2008, the City Council approved an offer from Community Bank of Logan to finance the Aquatic Center project. The \$1.5 million construction note matures in twenty years, requires semi-annual payments of \$55,694 and bears interest at 4.178%. Advances for construction, furniture and equipment are available upon request and approval of City Council through February 10, 2010 and constitute general obligation debt of the City. The financing of the Aquatic Center for \$1.5 million was approved by referendum on April 8, 2008.

NOTE 13 STATISTICAL INFORMATION

	For the year ended June 30, 2008	
Gallons of water billed	43,222,390	61%
Gallons of water used by the City	2,963,420	4%
Gallons of water unaccounted for	24,362,190	35%
Gallons of water pumped	70,548,000	100%

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 479,481	\$ -0-
Other city tax	80,464	-0-
Licenses and permits	6,556	-0-
Use of money and permits	23,677	5,385
Intergovernmental	149,540	-0-
Charges for services	108,441	397,977
Special assessments	728	1,312
Miscellaneous	257,163	1,792
Total receipts	<u>1,106,050</u>	<u>406,466</u>
Disbursements:		
Public safety	204,532	-0-
Public works	291,764	-0-
Health and social services	4,200	-0-
Culture and recreation	194,703	-0-
Community and economic development	2,050	-0-
General government	109,151	-0-
Debt service	130,394	-0-
Capital projects	144,385	-0-
Business type	-0-	409,633
Total disbursements	<u>1,081,179</u>	<u>409,633</u>
Excess (deficiency) of receipts over (under) disbursements	24,871	(3,167)
Other financing sources, net	<u>11,076</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources	35,947	(3,167)
Balance beginning of year	<u>496,724</u>	<u>60,791</u>
Balance end of year	<u>\$ 532,671</u>	<u>\$ 57,624</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 479,481	\$ 457,311	\$ 457,311	\$ 22,170
80,464	99,317	99,317	(18,853)
6,556	5,350	5,350	1,206
29,062	17,000	17,000	12,062
149,540	234,593	234,593	(85,053)
506,418	546,500	521,500	(15,082)
2,040	500	500	1,540
258,955	7,500	287,500	(28,545)
<u>1,512,516</u>	<u>1,368,071</u>	<u>1,623,071</u>	<u>(110,555)</u>
204,532	209,294	221,294	16,762
291,764	312,350	312,350	20,586
4,200	4,500	4,500	300
194,703	241,845	209,845	15,142
2,050	5,000	5,000	2,950
109,151	124,720	127,720	18,569
130,394	130,394	130,394	-0-
144,385	-0-	250,000	105,615
409,633	406,567	426,567	16,934
<u>1,490,812</u>	<u>1,434,670</u>	<u>1,687,670</u>	<u>196,858</u>
21,704	(66,599)	(64,599)	86,303
<u>11,076</u>	<u>500</u>	<u>500</u>	<u>10,576</u>
32,780	(66,099)	(64,099)	96,879
<u>557,515</u>	<u>557,515</u>	<u>557,515</u>	<u>-0-</u>
\$ <u>590,295</u>	\$ <u>491,416</u>	\$ <u>493,416</u>	\$ <u>96,879</u>

CITY OF LOGAN

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

JUNE 30, 2008

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. 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 \$253,000. The budget amendments are reflected in the final budgeted amounts.

For the year ended June 30, 2008, disbursements did not exceed the amounts budgeted. However, disbursements exceeded amount budgeted in the capital projects function before the budget was amended on May 19, 2008.

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, 2008

	Special Revenue		
	Emergency	Employee Benefits	FEMA
Receipts:			
Property tax	\$ 8,529	\$ 72,071	\$ -0-
Other city tax	1	8	-0-
Use of money and property	-0-	-0-	-0-
Intergovernmental	-0-	-0-	8,075
Total receipts	<u>8,530</u>	<u>72,079</u>	<u>8,075</u>
Disbursements:			
Operations:			
Public safety	-0-	34,110	-0-
Public works	-0-	16,492	1,350
Culture and recreation	-0-	4,294	-0-
General government	-0-	16,170	-0-
Debt service	-0-	-0-	-0-
Total disbursements	<u>-0-</u>	<u>71,066</u>	<u>1,350</u>
Excess (deficiency) of receipts over (under) disbursements	8,530	1,013	6,725
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(8,436)	-0-	-0-
Net financing sources (uses)	<u>(8,436)</u>	<u>-0-</u>	<u>-0-</u>
Net change in cash balances	94	1,013	6,725
Cash balances, beginning of year	<u>-0-</u>	<u>30,005</u>	<u>-0-</u>
Cash balances, end of year	<u>\$ 94</u>	<u>\$ 31,018</u>	<u>\$ 6,725</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 94	\$ 31,018	\$ 6,725
Debt service fund	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-
Total fund balance	<u>\$ 94</u>	<u>\$ 31,018</u>	<u>\$ 6,725</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

	Debt Service	Permanent Library	Total
\$	115,878	\$ -0-	\$ 196,478
	13	-0-	22
	-0-	2,571	2,571
	-0-	-0-	8,075
	<u>115,891</u>	<u>2,571</u>	<u>207,146</u>
	-0-	-0-	34,110
	-0-	-0-	17,842
	-0-	-0-	4,294
	-0-	-0-	16,170
	<u>130,394</u>	<u>-0-</u>	<u>130,394</u>
	<u>130,394</u>	<u>-0-</u>	<u>202,810</u>
	(14,503)	2,571	4,336
	23,821	-0-	23,821
	-0-	(2,571)	(11,007)
	<u>23,821</u>	<u>(2,571)</u>	<u>12,814</u>
	9,318	-0-	17,150
	<u>(8,196)</u>	<u>55,648</u>	<u>77,457</u>
\$	<u>1,122</u>	\$ <u>55,648</u>	\$ <u>94,607</u>
\$	-0-	\$ -0-	\$ 37,837
	1,122	-0-	1,122
	-0-	55,648	55,648
\$	<u>1,122</u>	\$ <u>55,648</u>	\$ <u>94,607</u>

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation debt:			
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:			
Sewer Notes	July 10, 2001	4.30%	\$ 1,210,000
Water Revenue Refunding Bonds	October 15, 2006	3.85-4.05%	\$ 480,000

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>
\$ 455,000	\$ -0-	\$ 90,000	\$ 365,000	\$ 16,173	\$ 1,112
43,230	-0-	20,911	22,319	2,909	-0-
<u>\$ 498,230</u>	<u>\$ -0-</u>	<u>\$ 110,911</u>	<u>\$ 387,319</u>	<u>\$ 19,082</u>	<u>\$ 1,112</u>
\$ 944,000	\$ -0-	\$ 51,000	\$ 893,000	\$ 40,592	\$ 3,200
410,000	-0-	75,000	335,000	16,213	1,110
<u>\$ 1,354,000</u>	<u>\$ -0-</u>	<u>\$ 126,000</u>	<u>\$ 1,228,000</u>	<u>\$ 56,805</u>	<u>\$ 4,310</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2008

General Obligation Debt

<u>Year Ended June 30,</u>	<u>General Obligation Refunding Bonds Issued September 15, 2005</u>		<u>Lease-Purchase Street Sweeper Issued May 23, 2005</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2009	3.45%	\$ 85,000	6.73%	\$ 22,319	\$ 107,319
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>\$ 365,000</u>		<u>\$ 22,319</u>	<u>\$ 387,319</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2008

Revenue Debt

Water Revenue Refunding Bonds, Series 2006
Issued October 15, 2006

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>
2009	3.90%	\$ 80,000
2010	3.95%	80,000
2011	4.00%	85,000
2012	4.05%	90,000
2013	--	-0-
2014	--	-0-
2015	--	-0-
2016	--	-0-
2017	--	-0-
2018	--	-0-
2019	--	-0-
2020	--	-0-
2021	--	-0-
Total		\$ <u>335,000</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 3
(Continued)

Sewer Revenue Note
Issued July 10, 2001

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Total</u>
2009	4.30%	\$ 53,000	\$ 133,000
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>893,000</u>	\$ <u>1,228,000</u>

CITY OF LOGAN

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

FOR THE LAST FOUR YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:				
Property and other city taxes	\$ 559,945	\$ 542,605	\$ 556,726	\$ 568,960
Tax increment financing	-0-	-0-	-0-	-0-
License and permits	6,556	3,622	4,457	6,616
Use of money and property	23,677	16,589	17,425	14,097
Intergovernmental	149,540	144,177	140,722	138,255
Charges for service	108,441	103,137	35,042	40,355
Special assessments	728	677	179	1,047
Miscellaneous	257,163	186,316	97,326	60,714
Sale of assets	11,076	-0-	3,000	960
	<u>1,117,126</u>	<u>997,123</u>	<u>854,877</u>	<u>831,004</u>
Total	\$ 1,117,126	\$ 997,123	\$ 854,877	\$ 831,004
Disbursements:				
Operating:				
Public safety	\$ 204,532	\$ 181,936	\$ 207,762	\$ 181,560
Public works	291,764	208,141	259,961	306,844
Health and social services	4,200	4,200	4,000	4,000
Culture and recreation	194,703	141,513	122,520	130,209
Community and economic development	2,050	2,736	11,356	1,950
General government	109,151	104,123	103,801	91,532
Debt service	130,394	128,156	108,429	141,237
Capital projects	144,385	-0-	-0-	-0-
	<u>1,081,179</u>	<u>770,805</u>	<u>817,829</u>	<u>857,332</u>
Total	\$ 1,081,179	\$ 770,805	\$ 817,829	\$ 857,332

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 5, 2008

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 5, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Logan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Logan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued . . .

August 5, 2008
To the Honorable Mayor and
Members of the City Council:
Page Two

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Logan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Logan's financial statements that is more than inconsequential will not be prevented or detected by the City of Logan's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Logan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-08 is a material weakness.

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.

Continued . . .

August 5, 2008
To the Honorable Mayor and
Members of the City Council:
Page Three

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

The City of Logan's responses to findings identified in my audit are described in the accompanying Schedule findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Logan's responses and, accordingly, I express no opinion on them.

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.


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

CITY OF LOGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. Unqualified opinions were 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. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCE OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 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, 2008

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

III-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the capital projects function before the budget was amended on May 19, 2008. 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.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable

Conclusion - Response accepted.

III-B-08 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.

III-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 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.

III-E-08 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.

III-F-08 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

III-G-08 Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.

III-H-08 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

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 \$1,523,592 for the year ended June 30, 2008, a 8.5 percent increase from 2007. The receipts included \$479,534 from property tax, \$545,549 from charges for services, \$157,641 from operating grants, contributions and restricted interest, \$246,346 from capital grants, contributions and restricted interest, \$80,411 from local option sales tax, \$3,035 from unrestricted investment earnings and \$11,076 from the sale of assets.

Disbursements for the year totaled \$1,490,179, a 27 percent increase from 2007, and included \$291,764 for public works, \$248,708 for water, and \$204,532 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.

