

FILE COPY

Financial Statements

City of Maquoketa

June 30, 2004

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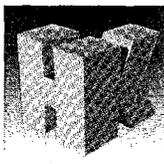
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City of Maquoketa

List of Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Messerli	Mayor	January 1, 2006
Alvin Barten	Council Member	January 1, 2008
Neil Morehead	Council Member	January 1, 2008
Marsha Myers	Council Member	January 1, 2008
Paul Hahle	Council Member	January 1, 2008
John Cressey	Council Member	January 1, 2006
Tim Clark	Council Member	January 1, 2006
Tom Schueller	Council Member	January 1, 2006
Brian Wagner	City Manager	Indefinite
Judy Carr	Deputy City Clerk	Indefinite
Diane Frandsen	City Treasurer	Indefinite
Mark Lawson	City Attorney	Indefinite



Honkamp Krueger & Co., P.C.
Certified Public Accountants
& Business Consultants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Maquoketa
Maquoketa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Maquoketa, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the management of the City of Maquoketa, Iowa. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Maquoketa Municipal Electric Utility, a discretely presented component unit of the City of Maquoketa. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Maquoketa Municipal Electric Utility, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa 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 we 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, 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 Maquoketa as of June 30, 2004, 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.

As described in Note 16, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedules – Perspective Differences.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004 on our consideration of the City of Maquoketa’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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 our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Maquoketa’s basic financial statements. We 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, 2003 (none of which are presented herein) and expressed unqualified opinion on those financial statements. Other supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked “unaudited” on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dubuque, Iowa
August 26, 2004

City of Maquoketa

Management's Discussion and Analysis

The City of Maquoketa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operation.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 7.1%, or approximately \$371,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$362,000.
- Disbursements decreased 24.7%, or approximately \$1,455,000 in fiscal 2004. Public safety and public works disbursements increased approximately \$61,000 and \$186,000, respectively, while debt service disbursements decreased approximately \$4,000.
- The City's total cash basis net assets increased 6.6%, or approximately \$540,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$422,000 and the assets of the business type activities increased approximately \$118,000.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water department and wastewater treatment utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), 3) the 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.

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

2) Proprietary Funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and wastewater treatment funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

The City as Trustee

The City is the trustee, or *fiduciary*, for its police employees' pension plans. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements and Changes in Cash Balances on page 18. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for its intended purpose.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

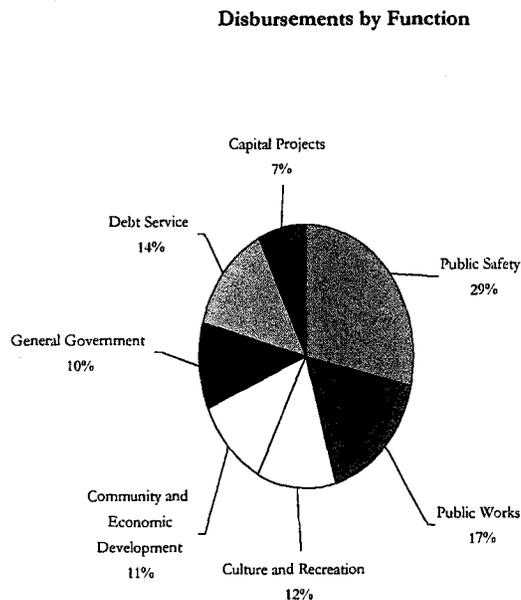
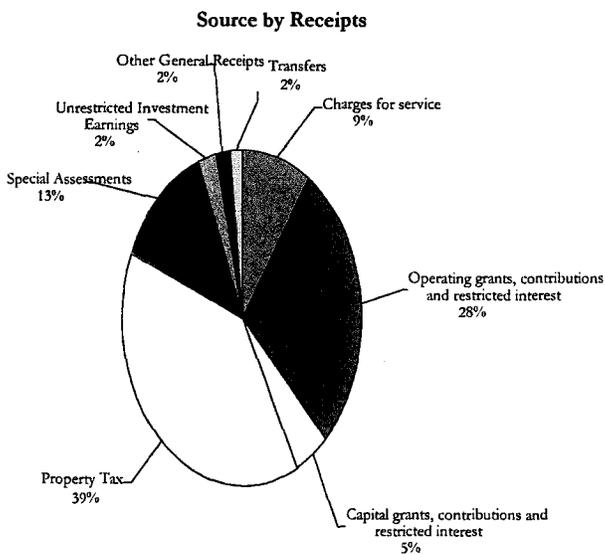
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$5,232,684 to \$5,654,547. The analysis that follows focuses on the changes in cash balances for governmental activities.

City of Maquoketa	
Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,
	<u>2004</u>
Receipts and Transfers:	
Program Receipts:	
Charges for service	\$ 457,358
Operating grants, contributions and restricted interest	1,379,863
Capital grants, contributions and restricted interest	229,332
General Receipts:	
Property Tax	1,885,846
Local Option Sales Tax	402,177
Franchise Tax	166,006
Hotel/Motel Tax	41,264
Unrestricted Investment Earnings	120,187
Other General Receipts	73,632
Sale of Assets	12,772
Transfers, net	156,564
Interfund Loans, Net	<u>(71,856)</u>
Total Receipts and Transfers	<u>\$ 4,853,145</u>

City of Maquoketa
Changes in Cash Basis Net Assets of Governmental Activities

Year ended June 30,
2004

Disbursements:		
Public Safety	\$	1,267,851
Public Works		756,254
Culture and Recreation		528,330
Community and Economic Development		491,895
General Government		460,507
Debt Service		609,193
Capital Projects		<u>317,252</u>
Total Disbursements		<u>4,431,282</u>
Increase in Cash Basis Net Assets		421,863
Cash Basis Net Assets, Beginning of Year		<u>5,232,684</u>
Cash Basis Net Assets, End of Year	\$	<u><u>5,654,547</u></u>



The City's receipts and transfers for governmental activities totaled \$4,853,145 for Fiscal 2004. The total cost of all programs and services was \$4,431,282. The net excess increased cash balances on hand by \$421,863 for Fiscal 2004.

The City increased property tax rates for 2004 by an average of 2.7% percent. However, due to Residential Rollback, this increase only resulted in \$39,650 in additional property tax revenues.

The cost of all governmental activities this year was \$4,431,282 compared to \$5,776,016 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,885,846 because some of the cost was paid by those directly benefiting from the programs (\$457,358) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,609,195). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$478,883 in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

City of Maquoketa
Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30, <u>2004</u>
Receipts:	
Program Receipts:	
Charges for service:	
Water	\$ 512,214
Wastewater Treatment	901,817
General Receipts:	
Unrestricted Interest on Investments	13,197
Bond Proceeds	144,093
Other General Receipts	<u>79,749</u>
Total Receipts	<u>1,651,070</u>
Disbursements and Transfers:	
Water	449,640
Wastewater Treatment	964,724
Transfers	<u>118,244</u>
Total Disbursements and Transfers	<u>1,532,608</u>
 Increase in Cash Balance	 118,462
 Cash Basis Net Assets, Beginning of Year	 <u>2,923,786</u>
 Cash Basis Net Assets, End of Year	 <u>\$ 3,042,248</u>

Total business type activities receipts for the fiscal year were \$1,651,070 compared to \$3,525,812 last year. This significant decrease was due primarily to the receipt of \$1,608,365 in sewer revenue note proceeds in fiscal 2003. The cash balance increased by approximately \$118,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 38.8% to a total of \$1,532,608 because significant expenses were incurred in the prior year for the wastewater treatment project

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Maquoketa completed the year, its governmental funds reported a combined fund balance of \$5,654,547, an increase of approximately \$422,000 above last year's total of \$5,232,684. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$429,656 from the prior year to \$2,505,513.
- The Road Use Tax Fund cash balance increased by \$608,297 to \$454,645 during the fiscal year. This increase was attributable to a grant of approximately \$325,000 from the Iowa Department of Transportation received this fiscal year relating to a road project. The City reallocated approximately \$250,000 to correct prior year deficit balances.
- The Urban Renewal Tax Increment Fund was established in the prior fiscal years to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was a deficit of \$(717,224), a decrease of \$459,031 from the previous year.
- The General CIP Fund was established to account for major capital projects incurred and used in conjunction with the City's general operation. At the end of the fiscal year, the cash balance was \$1,518,523, a decrease of \$348,114 from the prior year.
- The Industrial Park CIP Fund was established to account for major capital projects and expansion efforts in the City's Industrial Park. The cash balance at the end of the fiscal year increased to \$1,851,996, primarily due to receipts of grant revenues, where expenditures were incurred in the prior year. In Fiscal 2004, the City completed several projects, which encompassed several fiscal years. Those projects include the Prairie Creek Center (Phase 1), E. Platt and W. Platt recreation trails, Flood Protection, N. 5th Street extensions, and the Clinton Engines demolition project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility cash balance increased by \$46,224 to \$1,271,254, due primarily to an increase in the sale of water.

- The Wastewater Treatment cash balance increased by \$72,238 to \$1,770,994.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 3, 2004. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$10,324,723 in bonds and other long-term debt, compared to approximately \$10,567,014 last year, as shown below:

City of Maquoketa Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General Obligation Bonds	\$ 6,565,000	\$ 6,765,000
Urban Renewal Tax Increment		
Financing Revenue Bonds	-----	25,000
Revenue Notes	3,609,684	3,612,591
Real Estate Contracts	<u>150,039</u>	<u>164,423</u>
 Total	 <u>\$ 10,324,723</u>	 <u>\$ 10,567,014</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,565,000 is significantly below its constitutional debt limit of \$10,770,041.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Maquoketa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the general fund operating budget are \$2,443,728 (before transfers). This is an increase of 2.4% over the proposed fiscal year 2003 - 2004 budget, but about 17.8% less than was actually spent in the final 2004 budget. Budgeted disbursements are expected to rise by approximately \$57,714. A 4% wage increase for full-time employees and anticipated increases of 10% for property/liability insurance and 20% for health insurance represent the largest increases. Other factors are an elimination of the federal funding that the city received in the past for the "Cop in the School Program" and, as the County Auditor's office put it, a "State-imposed equalization order that imposed a reduction in certain real estate classifications and the State-mandated rollback of an additional 3% on residential property and ag dwellings." The City has added no new major general fund programs or initiatives to the 2005 budget. Outside of the general fund, the major project that will take place will involve the water utility and a \$3.5 million project to build a water treatment facility.

The City's property tax rate will increase from \$11.30 in Fiscal 2004 to \$11.61 in Fiscal 2005.

For 2005, the City has incorporated estimated revenues and expenditures into the budget for several anticipated capital projects, including several street renovations, renovation of the water treatment facility, as well as the replacement of water and storm mains, the construction of an area recreation center and several other miscellaneous projects. These projects are to be financed by general obligation issues, water utility reserves, a loan from the DNR's State Revolving Fund program, tax increment financing and community pledges.

If these estimates are realized, the City's budgeted cash balance, by the end of 2005, is expected to decrease in the following categories. The general fund reserve and Recreation CIP will be lowered by about \$160,000 and \$50,000, respectively, due to projects to develop a newly annexed section of 43rd Street, plus the proposed construction of a restroom/concession stand/picnic shelter at the Girls' Softball Fields. The water CIP will be lowered about \$500,000 toward the construction of a \$3.5 million water treatment facility. The Road Use Tax CIP will be reduced by about \$800,000 due to likely projects on North Street, N. Olive Street, N. Otto Street, Kathey and Susan Drives and E. Summit Street and W. Summit Street. However, the water treatment project and some of the street construction projects may carry over into fiscal year 2005 - 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Frandsen, City Clerk, 201 East Pleasant, Maquoketa, Iowa

City of Maquoketa
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2004

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions / Programs:			
Primary Government:			
Governmental Activities:			
Public Safety	\$ 1,267,851	\$ 91,641	\$ 357,629
Public Works	756,254	140,200	826,484
Culture and Recreation	528,330	115,997	127,250
Community and Economic Development	491,895	1,388	53,500
General Government	460,507	108,132	-
Debt Service	609,193	-	-
Capital Projects	317,252	-	15,000
Total Governmental Activities	4,431,282	457,358	1,379,863
Business Type Activities:			
Water Utility	449,640	512,214	-
Wastewater Treatment	964,724	901,817	-
Total Business Type Activities	1,414,364	1,414,031	-
Total Primary Government	\$ 5,845,646	\$ 1,871,389	\$ 1,379,863
Component Unit:			
Maquoketa Municipal Electric Utility	\$ 7,125,664	\$ 5,215,596	\$ -
General Receipts:			
Property Tax Levied for:			
General Purposes			
Insurance			
Employee Benefits			
Tax Increment Financing			
Local Option Sales Tax			
Franchise Tax			
Hotel/Motel Tax			
Unrestricted Interest on Investments			
Bond Proceeds			
Payment to Component Unit			
Miscellaneous			
Sale of Assets			
Interfund Loans			
Transfers			
Total General Receipts and Transfers			
Change in Cash Basis Net Assets			
Cash Basis Net Assets, Beginning of Year, as Restated			
Cash Basis Net Assets, End of Year			
Cash Basis Net Assets			
Restricted:			
Streets			
Urban Renewal Purposes			
Debt Service			
Other Purposes			
Unrestricted			
Total Cash Basis Net Assets			

Exhibit A

Program Receipts Capital Grants Contributions and Restricted Interest	Net (Disbursements) Receipts and Change in Cash Basis Net Assets			Component Unit
	Governmental Activities	Business Type Activities	Total	
\$ -	\$ (818,581)	\$ -	\$ (818,581)	\$ -
-	210,430	-	210,430	-
-	(285,083)	-	(285,083)	-
-	(437,007)	-	(437,007)	-
-	(352,375)	-	(352,375)	-
-	(609,193)	-	(609,193)	-
229,332	(72,920)	-	(72,920)	-
<u>229,332</u>	<u>(2,364,729)</u>	<u>-</u>	<u>(2,364,729)</u>	<u>-</u>
-	-	62,574	62,574	-
-	-	(62,907)	(62,907)	-
-	-	(333)	(333)	-
\$ <u>229,332</u>	<u>(2,364,729)</u>	<u>(333)</u>	<u>(2,365,062)</u>	<u>-</u>
\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,910,068)</u>
	1,067,413	-	1,067,413	-
	101,313	-	101,313	-
	319,698	-	319,698	-
	397,422	-	397,422	-
	402,177	-	402,177	-
	166,006	-	166,006	-
	41,264	-	41,264	-
	120,187	13,197	133,384	41,211
	-	144,093	144,093	-
	-	-	-	92,973
	73,632	79,749	153,381	153,045
	12,772	-	12,772	-
	(71,856)	-	(71,856)	-
	156,564	(118,244)	38,320	-
	<u>2,786,592</u>	<u>118,795</u>	<u>2,905,387</u>	<u>287,229</u>
	421,863	118,462	540,325	(1,622,839)
	5,232,684	2,923,786	8,156,470	5,441,117
\$ <u>5,654,547</u>	<u>\$ 3,042,248</u>	<u>\$ 8,696,795</u>	<u>\$ 3,818,278</u>	
\$ 454,645	\$ -	\$ 454,645	\$ -	
(717,224)	-	(717,224)	-	
(19,757)	279,691	259,934	-	
3,276,632	-	3,276,632	-	
2,660,251	2,762,557	5,422,808	3,818,278	
\$ <u>5,654,547</u>	<u>\$ 3,042,248</u>	<u>\$ 8,696,795</u>	<u>\$ 3,818,278</u>	

See Notes to Financial Statements

City of Maquoketa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2004

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property Tax	\$ 1,067,413	\$ -	\$ -
Tax Increment Financing Collections	-	-	397,422
Other City Tax	50,360	-	-
Licenses and Permits	12,392	-	-
Use of Money and Property	170,631	-	-
Intergovernmental	407,826	823,909	-
Charges for Service	173,511	-	-
Miscellaneous	483,788	-	-
Total Receipts	2,365,921	823,909	397,422
Disbursements:			
Operating:			
Public Safety	965,658	-	-
Public Works	600,505	70,779	-
Culture and Recreation	495,910	-	-
Community and Economic Development	196,978	-	237,932
General Government	389,429	-	-
Debt Service	-	-	30,784
Capital Projects	-	-	-
Total Disbursements	2,648,480	70,779	268,716
Excess (Deficiency) of Receipts over (under) Disbursements	(282,559)	753,130	128,706
Other Financing Sources (Uses)			
Sale of Capital Assets	12,772	-	-
Interfund Loans	-	-	(71,856)
Operating Transfers In	918,354	250,000	-
Operating Transfers Out	(218,911)	(394,833)	(315,043)
Total Other Financing Sources (Uses)	712,215	(144,833)	(386,899)
Net Change in Cash Balances	429,656	608,297	(258,193)
Cash Balances, Beginning of Year	2,075,857	(153,652)	(459,031)
Cash Balances, End of Year	\$ 2,505,513	\$ 454,645	\$ (717,224)
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General Fund	2,505,513	-	-
Special Revenue Funds	-	454,645	(717,224)
Capital Project Funds	-	-	-
Total Cash Basis Fund Balances	\$ 2,505,513	\$ 454,645	\$ (717,224)

Capital Projects		Other Nonmajor Governmental Funds	Total
General	Industrial Park		
\$ -	\$ -	\$ 319,698	\$ 1,387,111
-	-	-	397,422
41,264	-	402,177	493,801
-	-	-	12,392
-	17,621	-	188,252
-	244,332	65,875	1,541,942
-	-	-	173,511
-	2,759	2,593	489,140
<u>41,264</u>	<u>264,712</u>	<u>790,343</u>	<u>4,683,571</u>
-	-	162,028	1,127,686
-	-	33,055	704,339
-	-	22,455	518,365
-	-	52,229	487,139
-	-	30,903	420,332
19,854	-	558,555	609,193
<u>192,214</u>	<u>114,897</u>	<u>10,141</u>	<u>317,252</u>
<u>212,068</u>	<u>114,897</u>	<u>869,366</u>	<u>4,184,306</u>
<u>(170,804)</u>	<u>149,815</u>	<u>(79,023)</u>	<u>499,265</u>
-	-	-	12,772
-	-	-	(71,856)
423,540	-	550,457	2,142,351
<u>(600,850)</u>	<u>-</u>	<u>(666,955)</u>	<u>(2,196,592)</u>
<u>(177,310)</u>	<u>-</u>	<u>(116,498)</u>	<u>(113,325)</u>
(348,114)	149,815	(195,521)	385,940
<u>1,866,637</u>	<u>1,702,181</u>	<u>81,877</u>	<u>5,113,869</u>
<u>\$ 1,518,523</u>	<u>\$ 1,851,996</u>	<u>\$ (113,644)</u>	<u>\$ 5,499,809</u>
\$ -	\$ -	\$ (19,757)	\$ (19,757)
-	-	-	2,505,513
-	-	(109,430)	(372,009)
<u>1,518,523</u>	<u>1,851,996</u>	<u>15,543</u>	<u>3,386,062</u>
<u>\$ 1,518,523</u>	<u>\$ 1,851,996</u>	<u>\$ (113,644)</u>	<u>\$ 5,499,809</u>

See Notes to Financial Statements

City of Maquoketa
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances to the Statements of Activities
and Net Assets - Governmental Funds
As of and for the Year Ended June 30, 2004

Total Governmental Funds Cash Balance (page 14) \$ 5,499,809

Amounts Reported for Governmental Activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.

154,738

Cash Basis Net Assets of Governmental Activities (page 15) \$ 5,654,547

Net Change in Cash Balances (page 14) \$ 385,940

Amounts Reported for Governmental Activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

35,923

Change in Cash Balance of Governmental Activities (page 13) \$ 421,863

City of Maquoketa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds
As of and for the Year Ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Water Utility	Wastewater Treatment	Total	Employee Health
Operating Receipts:				
Use of Money and Property	\$ 9,011	\$ 4,186	\$ 13,197	\$ -
Charges for Service	512,214	901,817	1,414,031	42,082
Miscellaneous	-	-	-	30,000
Total Operating Receipts	<u>521,225</u>	<u>906,003</u>	<u>1,427,228</u>	<u>72,082</u>
Operating Disbursements:				
Governmental Activities:				
Public Safety	-	-	-	140,165
Public Works	-	-	-	51,915
Culture and Recreation	-	-	-	9,965
Community and Economic Development	-	-	-	4,756
General Government	-	-	-	40,175
Business Type Activities	449,640	692,154	1,141,794	-
Total Operating Disbursements	<u>449,640</u>	<u>692,154</u>	<u>1,141,794</u>	<u>246,976</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>71,585</u>	<u>213,849</u>	<u>285,434</u>	<u>(174,894)</u>
Non-Operating Receipts (Disbursements):				
Intergovernmental	-	74,555	74,555	-
Interest on Investments	-	-	-	12
Miscellaneous	5,194	-	5,194	-
General Obligation Bond Proceeds	-	144,093	144,093	-
Debt Service	-	(272,570)	(272,570)	-
Total Non-Operating Receipts (Disbursements)	<u>5,194</u>	<u>(53,922)</u>	<u>(48,728)</u>	<u>12</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>76,779</u>	<u>159,927</u>	<u>236,706</u>	<u>(174,882)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	110,061	110,061	210,805
Operating Transfers Out	(30,555)	(197,750)	(228,305)	-
Total Other Financing Sources (Uses)	<u>(30,555)</u>	<u>(87,689)</u>	<u>(118,244)</u>	<u>210,805</u>
Net Change in Cash Balances	46,224	72,238	118,462	35,923
Cash Balances Beginning of Year	<u>1,225,030</u>	<u>1,698,756</u>	<u>2,923,786</u>	<u>118,815</u>
Cash Balances End of Year	<u>\$ 1,271,254</u>	<u>\$ 1,770,994</u>	<u>\$ 3,042,248</u>	<u>\$ 154,738</u>
Cash Basis Fund Balances				
Reserved for Debt Service	\$ -	\$ 279,691	\$ 279,691	\$ -
Unreserved	<u>1,271,254</u>	<u>1,491,303</u>	<u>2,762,557</u>	<u>154,738</u>
Total Cash Basis Fund Balance	<u>\$ 1,271,254</u>	<u>\$ 1,770,994</u>	<u>\$ 3,042,248</u>	<u>\$ 154,738</u>

See Notes to Financial Statements

City of Maquoketa
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances to the Statements of Activities
and Net Assets - Proprietary Funds
As of and for the Year Ended June 30, 2004

Total Enterprise Funds Cash Balance (page 16)	\$	3,042,248
 <i>Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
Cash Basis Net Assets of Business Type Activities (page 13)	\$	<u>3,042,248</u>
 Net Change in Cash Balances (page 16)	 \$	 118,462
 <i>Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
Change in Cash Balance of Governmental Activities (page 13)	\$	<u>118,462</u>

City of Maquoketa
Statement of Cash Receipts, Disbursements and Changes
in Cash Balances
Fiduciary Funds
As of and for the Year Ended June 30, 2004

	<u>Police Retirement System</u>
Additions:	
Contributions:	
Employer	\$ 76,636
Plan Members	42,409
Total Contributions	<u>119,045</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	79,336
Interest	11,699
Total Investment Earnings	<u>91,035</u>
Less Investment Expense	-
Net Investment Earnings	<u>91,035</u>
Total Additions	<u>210,080</u>
Deductions:	
Benefits	<u>144,690</u>
Total Deductions	<u>144,690</u>
Other Financing Sources (Uses):	
Interfund Loan	71,856
Transfer Out	<u>(38,320)</u>
Total Other Financing Sources (Uses)	<u>33,536</u>
Net Change in Cash Balances	98,926
Cash Balances - Beginning of the Year	<u>650,721</u>
Cash Balances- End of the Year	<u><u>\$ 749,647</u></u>

See Notes to Financial Statements

City of Maquoketa

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies

The City of Maquoketa is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1837 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

The significant accounting policies of the City of Maquoketa are as follows:

Reporting Entity

For financial reporting purposes, the City of Maquoketa has included all funds, organizations, 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 benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Maquoketa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately, and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Maquoketa Municipal Electric Utility is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a five-member board appointed by the City Council, and the Utility's operating budget is subject to the approval of the City Council. The utility has a December 31 year-end.

City of Maquoketa

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

Civil Service Commission
Jackson County Landfill Board
Jackson County E911 Board

Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary 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.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted Net Assets results when constraints placed on net assets 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 who 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.

City of Maquoketa

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Basis of Presentation (continued)

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 nonmajor 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.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Capital Projects:

The Industrial Park (CIP) Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets in the City's industrial park area.

The General (CIP) Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets used in the city's general operations.

The City reports the following major proprietary funds:

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

The Waste Water Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

City of Maquoketa

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Basis of Presentation (continued)

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

The City also reports fiduciary funds which focus on net assets and changes in net assets. The City's fiduciary funds include the following:

The Police Retirement System Fund is used to account for assets of the police pension plan held by the City in a trustee capacity.

Measurement Focus and Basis of Accounting

The City of Maquoketa 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government and debt service functions.

City of Maquoketa

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered 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; 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 investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a qualifying financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker or dealer or by the qualifying financial institution's trust department or agent but not in the City's name.

At June 30, 2004, the balance of the City's cash deposits plus petty cash totaled \$3,584,670. The City's investments, which are included in net assets as of June 30, 2004, are as follows:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	1	\$ 586,016	\$ 575,743
Stocks, Bonds, and Mutual Funds	1	1,036,211	1,036,571
Repurchase Agreements	2	<u>4,239,545</u>	<u>4,239,545</u>
Total		<u>\$ 5,861,772</u>	<u>\$ 5,851,859</u>
Cash and Cash Equivalents		<u>\$ 3,584,670</u>	<u>\$ 3,802,101</u>
Total Primary Government Net Assets at June 30, 2004.		<u>\$ 9,446,442</u>	<u>\$ 9,653,960</u>

Certain investments held by the Police Retirement System Fund in the amount of \$700,677 are reported at fair value in the financial statements because the original cost of these investments is unknown.

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds, revenue bonds and notes payable are as follows:

Year Ending June 30	General Obligation Bond		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 40,000	\$ 9,260	\$ 94,000	\$ 49,256
2006	50,000	6,500	95,000	45,759
2007	50,000	3,250	99,000	42,131
2008	----	----	103,000	38,354
2009	----	----	107,000	34,428
2010	----	----	111,000	30,350
2011	----	----	115,000	26,124
2012	----	----	119,000	21,748
2013	----	----	123,000	17,223
2014	----	----	128,000	12,529
2015	----	----	133,000	7,648
2016	----	----	138,000	2,581
TOTALS	<u>\$ 140,000</u>	<u>\$ 19,010</u>	<u>\$ 1,365,000</u>	<u>\$ 328,131</u>

Year Ending June 30	General Obligation Notes		Revenue Note		Real Estate Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 250,000	\$ 337,616	\$ 60,000	\$ 72,360	\$ 39,155	\$ 8,129	\$ 483,155	\$ 476,621
2006	260,000	326,729	63,000	70,515	33,024	5,693	501,024	455,196
2007	280,000	315,078	65,000	68,595	18,380	4,304	512,380	433,358
2008	290,000	302,016	67,000	66,615	18,380	3,311	478,380	410,296
2009	305,000	288,162	69,000	64,575	13,700	2,302	494,700	389,467
2010	320,000	273,103	71,000	62,475	13,700	1,534	515,700	367,462
2011	495,000	256,925	73,000	60,315	13,700	767	696,700	344,131
2012	485,000	230,510	76,000	58,080	----	----	680,000	310,338
2013	505,000	204,215	78,000	55,770	----	----	706,000	277,208
2014	515,000	176,395	80,000	53,400	----	----	723,000	242,324
2015	950,000	147,705	83,000	50,955	----	----	1,166,000	206,308
2016	760,000	96,690	85,000	48,435	----	----	983,000	147,706
2017	810,000	55,650	205,000	44,085	----	----	1,015,000	99,735
2018	200,000	11,100	211,000	37,845	----	----	411,000	48,945
2019	----	----	218,000	31,410	----	----	218,000	31,410
2020	----	----	224,000	24,780	----	----	224,000	24,780
2021	----	----	231,000	17,955	----	----	231,000	17,955
2022	----	----	238,000	10,920	----	----	238,000	10,920
2023	----	----	47,684	3,675	----	----	47,684	3,675
TOTALS	<u>\$ 6,425,000</u>	<u>\$3,021,894</u>	<u>\$2,244,684</u>	<u>\$ 902,760</u>	<u>\$ 150,039</u>	<u>\$ 26,040</u>	<u>\$ 10,324,723</u>	<u>\$ 4,297,835</u>

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City; however, the debt is subject to the constitutional debt limit of the City.

The resolutions providing for the issuance of the sewer revenue note and the sewer revenue bonds – DNR revolving loan include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Gross revenues of the sewer utility shall be set aside into a sewer revenue account. This account shall be used in maintaining and operating the sewer utility and, after payment of operating expenses, shall be used to pay the principal and interest on the bonds. This account is also used to maintain the several separate accounts required to be set up by the bond resolutions.
- (c) Sufficient monthly transfers shall be made to a sewer revenue bonds sinking account for the purpose of making the bond principal and interest payments when the sewer revenue account does not have the funds available. The monthly amount required for the sewer revenue bonds sinking account shall not be less than one-sixth of the upcoming interest payment plus one-twelfth of the upcoming principal payment.
- (d) Monthly transfers shall be made to a sewer revenue bond reserve account of an amount equal to that deposited into the sewer revenue bond sinking account until a specific minimum balance has been accumulated. Any additional amounts over the required sewer revenue bond reserve minimum balance should be deposited into the sewer revenue account. The sewer revenue bond reserve account is restricted for the purpose of paying the principal and interest on the notes and bonds when insufficient money is available in the respective sinking accounts.

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

- (e) All net revenues remaining from the sewer utility after first making the required payments into the sewer sinking account and the sewer reserve account, and after the sewer reserve account contains the required reserve fund balance, shall be transferred to the sewer surplus account. All monies credited to the surplus account shall be transferred and credited to the sinking account or reserve account whenever a deficiency may exist. If both the sinking account and the reserve account have the full amounts required to be deposited, any balance in the surplus account may be available to the City for operation of the sewer utility.

NOTE 4. Pension and Retirement Benefits

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

Plan members are required to contribute 3.7% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.9%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the city were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the city were 6.2% and 9.19%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$42,133, \$38,467 and \$35,239, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

City of Maquoketa

Notes to Financial Statements

NOTE 4. Pension and Retirement Benefits (Continued)

Plan members are required to contribute 9.35% of their earnable compensation, and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003 and 2002 were \$92,891, \$74,246 and \$68,851, respectively, which met the required minimum contribution for each year.

NOTE 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and holiday hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 80,815
Sick Leave	<u>49,780</u>
Total	<u>\$ 130,595</u>

Sick live is accumulated and paid out upon separation from the City's employment only to employees hired before July 1, 1990. If sick leave is paid upon termination, retirement or death, the total accumulated hours are paid at one-half of the then effective hourly rate for that employee. This liability has been computed based on rates of pay as of June 30, 2004.

City of Maquoketa

Notes to Financial Statements

NOTE 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer To:	Transfer From:	Amount
General:	Fiduciary:	
	Police Retirement System	\$ 38,320
	Special Revenue:	
	Jackson County Task Force	28,445
	Road Use Tax	120,000
	Local Option Tax	330,184
	Capital Projects:	
	General (CIP)	350,850
	Enterprise:	
	Water Utility	30,555
	Wastewater Utility	20,000
		\$ 918,354
Special Revenue:		
Road Use Tax	Capital Projects:	
	General (CIP)	\$ 250,000
Capital Projects:		
Airport (CIP)	General	6,500
Library (CIP)	General	10,141
General (CIP)	General	184,025
	Special Revenue:	
	Road Use Tax	239,515
		\$ 423,540
Debt Service	Special Revenue:	
	Road Use Tax	\$ 35,318
	Urban Renewal Tax Increment	315,043
	Enterprise:	
	Sewer Utility	183,455
		\$ 533,816

City of Maquoketa

Notes to Financial Statements

NOTE 6. Interfund Transfers (Continued)

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Enterprise:	Special Revenue: Local Option Tax	\$ <u>110,061</u>
Internal Service Fund: Employee Health	General Special Revenue: Employee Benefits	\$ 12,541 <u>198,264</u> \$ <u>210,805</u>
	TOTAL	\$ <u>2,463,217</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7. Related Party Transactions

The City had business transactions between the City and City officials, totaling \$1,098 during the year ended June 30, 2004.

NOTE 8. Risk Management

The City of Maquoketa, Iowa is exposed to various risks of loss related 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.

Health benefits were fully insured through Blue Cross/Blue Shield with the exception that the City pays a percent of each participant's deductible and co-insurance which is set forth in the plan documents.

City of Maquoketa

Notes to Financial Statements

NOTE 9. Deficit Fund Balance

The Urban Renewal Tax Revenue, Housing Assistance Program, Employee Benefits, Local Option Tax, Jackson County Task Force and Debt Service funds had deficit fund balance amounts of \$717,224, \$46,492, \$185,941, \$42,677, \$13,789 and \$19,757, respectively, at June 30, 2004. The City will be receiving grant money, donations, and transfer funds to eliminate these fund balances.

NOTE 10. Construction in Progress

The City has entered into various construction contracts totaling approximately \$380,228. The unpaid contract balances as of June 30, 2004 totaled approximately \$143,386 which will be paid as work on the projects progress.

NOTE 11. Interfund Loans

The City has the following interfund loan at June 30, 2004:

Maquoketa Police Board of Trustees' Police Pension Fund, Tax Increment Financing to the City of Maquoketa, Economic Development at 9.00% per annum.	\$ 21,602
---	-----------

NOTE 12. Economic Development Loan

The City has granted a corporation a ten-year \$200,000 forgivable loan to promote and assist economic growth through the development and expansion of qualified businesses, the creation of jobs, and expansion of the municipal tax base. The loan will be considered fully forgiven provided that the job performance target (500) and the project investment target (\$50,000,000) are met by the contract end date, which shall be ten years from the disbursement of the loan funds. The loan funds were disbursed on December 1, 2000. Any shortfalls to the agreement will become immediately due and payable, and shall bear an interest rate of 6% per annum. The loan is secured by a guaranty from Family Dollar Stores, Inc.

City of Maquoketa

Notes to Financial Statements

NOTE 13. Litigation

The City is subject to several pending litigation claims seeking monetary damages. The matters have been referred to the City's insurance carrier for review of potential liability. The city intends to vigorously defend these actions and no provisions have been made in the financial statements related to these claims.

NOTE 14. Lease Agreements

1. The City of Maquoketa is a party to several operating leases. The leases are with various local companies and individuals for hangars at the municipal airport. The leases are on a month-to-month basis. The City charges \$80 per month, per hangar, and requires a minimum of \$25 in fuel purchases per month. If sufficient fuel purchases are not made, the tenants are still required to pay \$25.
2. The City of Maquoketa is a party to an operating lease for the corporate hangar at the municipal airport. The lease runs from July 1, 2003 through June 30, 2006 and requires rental payments of \$250 per month. The rent is subject to increases on July 1, 2004 and July 1, 2005. The tenant is to pay all separately metered utilities, as well as \$20 per month to the City for heating and maintenance for the lobby and public restrooms.

NOTE 15. Subsequent Events

Subsequent to year end, the City has entered into construction contracts totaling \$154,000 for various projects.

City of Maquoketa

Notes to Financial Statements

NOTE 16. Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash Basis Net Assets June 30, 2003, as previously reported	\$ 5,113,869	\$ 2,923,786
Internal Service Fund	<u>118,815</u>	<u>-----</u>
Cash Basis Net Assets July 1, 2003, as restated	<u>\$ 5,232,684</u>	<u>\$ 2,923,786</u>

Required Supplementary Information

City of Maquoketa
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, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	\$ 1,387,111	\$ -	\$ -
Tax Increment Financing Collections	397,422	-	-
Other City Tax	493,801	-	-
Licenses and Permits	12,392	-	-
Use of Money and Property	188,252	13,197	-
Intergovernmental	1,541,942	74,555	-
Charges for Service	173,511	1,456,113	42,082
Miscellaneous	489,140	35,194	30,000
Total Receipts	<u>4,683,571</u>	<u>1,579,059</u>	<u>72,082</u>
Disbursements:			
Public Safety	1,127,686	140,165	140,165
Public Works	704,339	51,915	51,915
Culture and Recreation	518,365	9,965	9,965
Community and Economic Development	487,139	4,756	4,756
General Government	420,332	40,175	40,175
Debt Service	609,193	272,570	-
Capital Projects	317,252	-	-
Business Type Activities	-	1,141,794	-
Total Disbursements	<u>4,184,306</u>	<u>1,661,340</u>	<u>246,976</u>
Excess (Deficiency) of Receipts over (under) Disbursements	499,265	(82,281)	(174,894)
Other Financing Sources, Net	<u>(113,325)</u>	<u>236,654</u>	<u>210,805</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	385,940	154,373	35,911
Balances, Beginning of Year	5,113,869	3,042,601	118,815
Balances, End of Year	<u>\$ 5,499,809</u>	<u>\$ 3,196,974</u>	<u>\$ 154,726</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,387,111	\$ 1,440,786	\$ 1,440,786	\$ (53,675)
397,422	456,336	456,336	(58,914)
493,801	363,618	363,618	130,183
12,392	60,949	60,949	(48,557)
201,449	149,605	161,852	39,597
1,616,497	1,165,686	1,170,386	446,111
1,587,542	1,553,023	1,560,023	27,519
494,334	132,251	389,865	104,469
<u>6,190,548</u>	<u>5,322,254</u>	<u>5,603,815</u>	<u>586,733</u>
1,127,686	1,007,315	1,100,051	(27,635)
704,339	662,379	1,139,379	435,040
518,365	456,330	521,608	3,243
487,139	273,822	432,840	(54,299)
420,332	582,760	390,252	(30,080)
881,763	853,902	833,292	(48,471)
317,252	257,840	402,954	85,702
1,141,794	756,107	1,817,375	675,581
<u>5,598,670</u>	<u>4,850,455</u>	<u>6,637,751</u>	<u>1,039,081</u>
591,878	471,799	(1,033,936)	1,625,814
<u>(87,476)</u>	<u>2,000</u>	<u>117,352</u>	<u>(204,828)</u>
504,402	473,799	(916,584)	1,420,986
<u>8,037,655</u>	<u>6,723,892</u>	<u>8,807,190</u>	<u>(769,535)</u>
<u>\$ 8,542,057</u>	<u>\$ 7,197,691</u>	<u>\$ 7,890,606</u>	<u>\$ 651,451</u>

See Accompanying Independent Auditor's Report

City of Maquoketa

Notes to Required Supplementary Information – Budgetary Reporting

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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, 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, one budget amendment increased budgeted revenues by \$281,561 and increased budgeted disbursements by \$1,787,296. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government and debt service functions.

Other Supplementary Information

City of Maquoketa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2004

	Special Revenue		
	DARE	Bi-Centennial	Economic Development Revolving
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Other City Tax	-	-	-
Intergovernmental	-	-	-
Miscellaneous	580	6	-
Total Receipts	580	6	-
Disbursements:			
Operating:			
Public Safety	637	-	-
Public Works	-	-	-
Culture and Recreation	-	11	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	637	11	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(57)	(5)	-
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Cash Balances	(57)	(5)	-
Cash Balances, Beginning of Year	357	1,262	176,614
Cash Balances, End of Year	\$ 300	\$ 1,257	\$ 176,614
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved			
Special Revenue Funds	300	1,257	176,614
Capital Project Fund	-	-	-
Total Cash Basis Fund Balance	\$ 300	\$ 1,257	\$ 176,614

Housing Assistance Program	Employee Benefits	Police Forfeiture	Local Option Sales Tax	Jackson County Task Force
\$ -	\$ 319,698	\$ -	\$ -	\$ -
-	-	-	402,177	-
-	-	-	-	65,875
2,000	-	7	-	-
<u>2,000</u>	<u>319,698</u>	<u>7</u>	<u>402,177</u>	<u>65,875</u>
-	123,114	-	-	38,277
-	33,055	-	-	-
-	22,444	-	-	-
52,229	-	-	-	-
-	30,903	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>52,229</u>	<u>209,516</u>	<u>-</u>	<u>-</u>	<u>38,277</u>
<u>(50,229)</u>	<u>110,182</u>	<u>7</u>	<u>402,177</u>	<u>27,598</u>
-	-	-	-	-
-	(198,264)	-	(440,246)	(28,445)
-	(198,264)	-	(440,246)	(28,445)
(50,229)	(88,082)	7	(38,069)	(847)
3,737	(97,859)	1,291	(4,608)	(12,942)
<u>\$ (46,492)</u>	<u>\$ (185,941)</u>	<u>\$ 1,298</u>	<u>\$ (42,677)</u>	<u>\$ (13,789)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
(46,492)	(185,941)	1,298	(42,677)	(13,789)
-	-	-	-	-
<u>\$ (46,492)</u>	<u>\$ (185,941)</u>	<u>\$ 1,298</u>	<u>\$ (42,677)</u>	<u>\$ (13,789)</u>

See Accompanying Independent Auditor's Report

City of Maquoketa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds (Continued)
As of and for the Year Ended June 30, 2004

	<u>Capital Projects</u>			<u>Total</u>
	<u>Library</u>	<u>Airport</u>	<u>Debt Service</u>	
Receipts:				
Property Tax	\$ -	\$ -	\$ -	\$ 319,698
Other City Tax	-	-	-	402,177
Intergovernmental	-	-	-	65,875
Miscellaneous	-	-	-	2,593
Total Receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>790,343</u>
Disbursements:				
Operating:				
Public Safety	-	-	-	162,028
Public Works	-	-	-	33,055
Culture and Recreation	-	-	-	22,455
Community and Economic Development	-	-	-	52,229
General Government	-	-	-	30,903
Debt Service	-	-	558,555	558,555
Capital Projects	10,141	-	-	10,141
Total Disbursements	<u>10,141</u>	<u>-</u>	<u>558,555</u>	<u>869,366</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(10,141)</u>	<u>-</u>	<u>(558,555)</u>	<u>(79,023)</u>
Other Financing Sources (Uses):				
Operating Transfers In	10,141	6,500	533,816	550,457
Operating Transfers Out	-	-	-	(666,955)
Total Other Financing Sources (Uses)	<u>10,141</u>	<u>6,500</u>	<u>533,816</u>	<u>(116,498)</u>
Net Change in Cash Balances	-	6,500	(24,739)	(195,521)
Cash Balances, Beginning of Year	31	9,012	4,982	81,877
Cash Balances, End of Year	<u>\$ 31</u>	<u>\$ 15,512</u>	<u>\$ (19,757)</u>	<u>\$ (113,644)</u>
Cash Basis Fund Balances				
Reserved:				
Debt Service	\$ -	\$ -	\$ (19,757)	\$ (19,757)
Unreserved:				
Special Revenue Funds	-	-	-	(109,430)
Capital Project Fund	31	15,512	-	15,543
Total Cash Basis Fund Balance	<u>\$ 31</u>	<u>\$ 15,512</u>	<u>\$ (19,757)</u>	<u>\$ (113,644)</u>

See Accompanying Independent Auditor's Report

**City of Maquoketa
Schedule of Indebtedness
Year Ended June 30, 2004**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Urban Renewal	June 1, 1991	6.50% - 6.90%	\$ <u>385,000</u>
Revenue Bonds:			
Parking Lot	December 1, 1967	3.50%	\$ 221,000
Department of Natural Resources (DNR) revolving loan - sewer	August 8, 1995	3.74%	<u>2,046,000</u>
Total			\$ <u>2,267,000</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds			
	April 6, 1994	8.50%	\$ <u>175,000</u>
General Obligation Notes:			
Corporate Purpose	February 1, 1996	4.30% - 5.60%	2,200,000
Corporate Purpose	August 1, 1999	4.40% - 5.20%	360,000
Corporate Purpose	March 1, 2000	5.00% - 5.90%	135,000
Corporate Purpose	June 1, 2001	5.35% - 5.55%	2,500,000
Corporate Purpose	October 1, 2002	3.00% - 4.80%	890,000
Corporate Purpose	July 1, 2000	5.10% - 5.90%	<u>1,290,000</u>
Total			\$ <u>7,375,000</u>
Revenue Note:			
Sewer	May 3, 2002	3.00%	\$ <u>2,500,000</u>
Real Estate Contracts			
Real Estate Contracts	April 3, 1990	7.00%	\$ <u>162,189</u>
Real Estate Contract	March 1, 2002	5.60%	\$ <u>137,000</u>
Real Estate Contract	November 26, 2002	5.00%	\$ <u>28,400</u>

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ <u>170,000</u>	\$ <u>-</u>	\$ <u>30,000</u>	\$ <u>140,000</u>	\$ <u>11,300</u>	\$ <u>-</u>
\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -
<u>1,452,000</u>	<u>-</u>	<u>89,000</u>	<u>1,363,000</u>	<u>52,641</u>	<u>-</u>
\$ <u>1,454,000</u>	\$ <u>-</u>	\$ <u>89,000</u>	\$ <u>1,365,000</u>	\$ <u>52,641</u>	\$ <u>-</u>
\$ <u>25,000</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>-</u>	\$ <u>2,125</u>	\$ <u>-</u>
1,600,000	-	100,000	1,500,000	83,455	-
275,000	-	30,000	245,000	13,543	-
130,000	-	5,000	125,000	7,223	-
2,500,000	-	-	2,500,000	135,745	-
890,000	-	-	890,000	36,585	-
<u>1,200,000</u>	<u>-</u>	<u>35,000</u>	<u>1,165,000</u>	<u>69,205</u>	<u>-</u>
\$ <u>6,595,000</u>	\$ <u>-</u>	\$ <u>170,000</u>	\$ <u>6,425,000</u>	\$ <u>345,756</u>	\$ <u>-</u>
\$ <u>2,158,591</u>	\$ <u>144,093</u>	\$ <u>58,000</u>	\$ <u>2,244,684</u>	\$ <u>65,953</u>	\$ <u>-</u>
\$ <u>54,823</u>	\$ <u>-</u>	\$ <u>19,404</u>	\$ <u>35,419</u>	\$ <u>3,194</u>	\$ <u>-</u>
\$ <u>109,600</u>	\$ <u>-</u>	\$ <u>13,700</u>	\$ <u>95,900</u>	\$ <u>6,154</u>	\$ <u>-</u>
\$ <u>23,400</u>	\$ <u>-</u>	\$ <u>4,680</u>	\$ <u>18,720</u>	\$ <u>1,170</u>	\$ <u>-</u>

See Accompanying Notes to Financial Statement

City of Maquoketa
Schedule of Bond and Note Maturities
Year Ended June 30, 2004

<u>General Obligation Bond</u>		
<u>Urban Renewal</u>		
<u>Issued June 1, 1991</u>		
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2005	6.90%	\$ 40,000
2006	6.50%	50,000
2007	6.50%	50,000
 Total		 \$ <u>140,000</u>

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Real Estate Contracts</u>		<u>Revenue Note</u>		<u>Real Estate Contract</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
	<u>Issued April 3, 1990</u>		<u>Sewer</u>		<u>Issued March 1, 2002</u>	
			<u>Issued May 3, 2002</u>			
2005	7.00%	\$ 20,775	3.00%	\$ 60,000	5.67%	\$ 13,700
2006	7.00%	14,644	3.00%	63,000	5.67%	13,700
2007	-	-	3.00%	65,000	5.67%	13,700
2008	-	-	3.00%	67,000	5.67%	13,700
2009	-	-	3.00%	69,000	5.67%	13,700
2010	-	-	3.00%	71,000	5.67%	13,700
2011	-	-	3.00%	73,000	5.67%	13,700
2012	-	-	3.00%	76,000	-	-
2013	-	-	3.00%	78,000	-	-
2014	-	-	3.00%	80,000	-	-
2015	-	-	3.00%	83,000	-	-
2016	-	-	3.00%	85,000	-	-
2017	-	-	3.00%	205,000	-	-
2018	-	-	3.00%	211,000	-	-
2019	-	-	3.00%	218,000	-	-
2020	-	-	3.00%	224,000	-	-
2021	-	-	3.00%	231,000	-	-
2022	-	-	3.00%	238,000	-	-
2023	-	-	3.00%	47,684	-	-
 Total		 \$ <u>35,419</u>		 \$ <u>2,244,684</u>		 \$ <u>95,900</u>

City of Maquoketa
Schedule of Bond and Note Maturities (continued)
Year Ended June 30, 2004

Year Ending June 30,	General Obligation Notes					
	Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued October 1, 2002		Issued February 1, 1996		Issued June 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	3.00%	\$ 70,000	4.70%	\$ 105,000	-	\$ -
2006	3.30%	75,000	4.80%	110,000	-	-
2007	3.60%	75,000	4.90%	115,000	-	-
2008	3.85%	80,000	5.00%	120,000	-	-
2009	4.05%	80,000	5.15%	130,000	-	-
2010	4.20%	85,000	5.30%	135,000	-	-
2011	4.35%	90,000	5.35%	140,000	-	-
2012	4.50%	95,000	5.40%	150,000	-	-
2013	4.60%	95,000	5.50%	155,000	-	-
2014	4.70%	100,000	5.60%	165,000	-	-
2015	4.80%	45,000	5.60%	175,000	5.35%	730,000
2016	-	-	-	-	5.40%	760,000
2017	-	-	-	-	5.50%	810,000
2018	-	-	-	-	5.55%	200,000
Total		<u>\$ 890,000</u>		<u>\$ 1,500,000</u>		<u>\$ 2,500,000</u>

Year Ending June 30,	General Obligation Notes			
	Corporate Purpose		Corporate Purpose	
	Issued August 1, 1999		Issued March 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.75%	\$ 30,000	5.20%	\$ 10,000
2006	4.80%	30,000	5.30%	10,000
2007	4.85%	35,000	5.40%	15,000
2008	4.90%	35,000	5.45%	15,000
2009	5.00%	35,000	5.55%	15,000
2010	5.10%	40,000	5.65%	15,000
2011	5.20%	40,000	5.70%	15,000
2012	-	-	5.80%	15,000
2013	-	-	5.90%	15,000
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
Total		<u>\$ 245,000</u>		<u>\$ 125,000</u>

Year Ending June 30,	Corporate Purpose Issued July 1, 2000		General Obligation Notes
	Interest Rates	Amount	Total
2005	5.45%	\$ 35,000	\$ 250,000
2006	5.50%	35,000	260,000
2007	5.55%	40,000	280,000
2008	5.60%	40,000	290,000
2009	5.65%	45,000	305,000
2010	5.70%	45,000	320,000
2011	5.75%	210,000	495,000
2012	5.80%	225,000	485,000
2013	5.85%	240,000	505,000
2014	5.90%	250,000	515,000
2015	-	-	950,000
2016	-	-	760,000
2017	-	-	810,000
2018	-	-	200,000
Total		\$ 1,165,000	\$ 6,425,000

Total Maturities
\$ 483,155
501,024
512,380
478,380
494,700
515,700
696,700
680,000
706,000
723,000
1,166,000
983,000
1,015,000
411,000
218,000
224,000
231,000
238,000
47,684
\$ 10,324,723

See Accompanying Independent Auditor's Report

City of Maquoketa
Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds
For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property Tax	\$ 1,387,111	\$ 1,523,876	\$ 1,422,310	\$ 1,288,597
Tax Increment Financing Collections	397,422	297,274	303,776	154,359
Other City Tax	493,801	481,059	425,435	413,204
Licenses and Permits	12,392	26,465	21,452	22,308
Use of Money and Property	188,252	68,678	126,573	230,072
Intergovernmental	1,541,942	988,589	3,660,414	3,288,987
Charges for Services	173,511	242,028	231,248	241,347
Miscellaneous	489,140	1,466,240	282,278	304,816
Total	<u>\$ 4,683,571</u>	<u>\$ 5,094,209</u>	<u>\$ 6,473,486</u>	<u>\$ 5,943,690</u>
Disbursements:				
Operating:				
Public Safety	\$ 1,127,686	\$ 1,096,237	\$ 1,136,555	\$ 1,070,481
Public Works	704,339	942,530	1,189,653	1,489,880
Culture and Recreation	518,365	495,077	473,439	429,490
Community and Economic Development	487,139	350,060	61,103	99,828
General Government	420,332	423,993	333,840	331,681
Debt Service	609,193	613,160	645,144	497,063
Capital Projects	317,252	1,854,959	3,140,426	3,491,196
Total	<u>\$ 4,184,306</u>	<u>\$ 5,776,016</u>	<u>\$ 6,980,160</u>	<u>\$ 7,409,619</u>

See Accompanying Independent Auditor's Report

City of Maquoketa
Additional Information Required by the
Sewer Revenue Bond Resolution
June 30, 2004
(Unaudited)

Insurance - the City has the following insurance coverage.

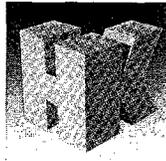
<u>Insurance Company Address and Policy Number</u>	<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
Employers Mutual Companies Des Moines, Iowa Package Policy #8X5-19-34-98	Property Inland Marine General Liability Business Auto Umbrella Excess Employee Dishonesty Linebacker Crime	\$ 17,784,587 768,146 1,000,000 1,000,000 4,000,000 310,000 1,000,000 30,000	4/1/2005 4/1/2005 4/1/2005 4/1/2005 4/1/2005 4/1/2005 4/1/2005 4/1/2005
Travelers Group Hartford, Connecticut Policy # BAJ-BM21-702X7309-TIL-04	Sewage & Water Treatment & Distribution	\$ 2,000,000	1/1/2005
Old Republic Insurance Company Greensburg, Pennsylvania Policy # PR 227801	Airport Owners and Operators General Liability	\$ 2,000,000	1/1/2005

Rate and Number of Users of the System:

User Charges - The minimum sewer charge per month shall be \$21.43 per 100 cubic feet up to 300.

Over 300 cubic feet the charge is \$1.40 per 100 cubic feet as determined in ordinance 867.

Number of Users - The City has approximately 2,400 users.



Honkamp Krueger & Co., PC.
Certified Public Accountants
& Business Consultants

**Independent Auditor's Report on Compliance
and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Maquoketa
Maquoketa, Iowa

We have audited the financial statements of the City of Maquoketa, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Maquoketa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV 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, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our 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. Prior year statutory comments have been resolved except for items IV-A-02, IV-E-02, IV-K-02 and IV-L-02.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Maquoketa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Maquoketa'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.

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. Our 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 considered to be material weaknesses. However, of the reportable conditions indicated, we believe Item I-A-04 to be a material weakness. Prior year reportable conditions, items II-A-03, II-B-03 and II-C-03, have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Maquoketa and other parties to whom the City of Maquoketa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



Dubuque, Iowa
August 26, 2004

City of Maquoketa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I. Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

Reportable Conditions:

- I-A-04. **Segregation of Duties:** One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

Recommendation: We 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 review the procedures as suggested.

Conclusion: Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize council members to provide additional control through review of financial transactions and reports.

- I-B-04. **Records of Accounts:** The Library and Police Department maintain the accounting records pertaining to the operation of the Library and Police Department. These transactions and the resulting balances are not recorded in the City's accounting software. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation: For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City's accounting software.

Response: We will adjust our financial statements to include this information. The financial activity and balances of the Library and Police Department will be included in the City's accounting software in the future.

Conclusion: Response acknowledged.

City of Maquoketa
Schedule of Statutory Reporting Requirements (Continued)
Year Ended June 30, 2004

Part II. Other Findings Related to Required Statutory Reporting

II-A-03. **Official Depositories**: A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-03. **Certified Budget**: Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the public safety, community and economic development, general government and debt service functions. 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 sufficient amounts 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.

II-C-03. **Questionable Disbursements**: No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-03. **Travel Expense**: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-03. **Business Transactions**: In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the City officials and employees less than \$1,500 during the fiscal year do not represent conflicts of interest.

II-F-03. **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.

II-G-03. **Council Minutes**: No transactions were found that we believe should have been approved in the Council minutes that were not.

II-H-03. **Deposits and Investments**: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Maquoketa
Schedule of Statutory Reporting Requirements (Continued)
Year Ended June 30, 2004

II-I-03. **Revenue Notes:** We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

II-K-03. **Financial Condition:** The Urban Renewal Tax Revenue, Housing Assistance Program, Employee Benefits, Local Option Tax, Jackson County Task Force and Debt Service funds had deficit balances at June 30, 2004 totaling \$1,025,880.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial position.

News Release

11/2/04

For Release: _____

Honkamp Krueger & Co., P.C. released an audit report on the City of Maquoketa, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements.

The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$6,385,971 for the year ended June 30, 2004, a 9.45% percent decrease from 2003. The receipts included \$1,695,694 in property tax, \$397,422 from tax increment financing collections, \$1,871,389 from charges for service, \$1,379,863 from operating grants, contributions and restricted interest, \$229,322 from capital grants, contributions and restricted interest, \$402,177 from local option sales tax, \$120,187, from unrestricted investment earnings and \$289,917 from other general receipts.

Disbursements for the year totaled \$5,845,646, a 1.2% increase from the prior year, and included \$1,267,851 for public safety, \$756,254 for public works, and \$609,193 for debt service. Also, disbursements for business type activities totaled \$1,414,364.

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

FILE COPY

March 2, 2005

City of Maquoketa
Maquoketa, Iowa

PREPARATION OF AUDIT FOR THE YEAR ENDED JUNE 30, 2004

<u>STAFF</u>	<u>HOURS</u>	<u>TOTAL</u>
Douglas D. Funke	15.35	
Sue M. Lawler	111.47	
Danell A. DeBacker	39.98	
Kristin L. Kluesner	3.75	
Heather N. Deininger	23.91	
Chris Splinter – (Typing, Copying, Binding reports)	19.19	
	<hr/>	
Total Hours	<u>213.65</u>	
Total Audit Fee		<u>\$ 15,000</u>

100

City of Maquoketa
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

Finding II-A-03. Lack of Segregation of Duties

Contact person responsible for corrective action: Diane Frandsen (563) 652-2484

Corrective Action

Response: The City concurs with the recommendations, however, believes the supervision by management and City Council members are considered mitigating factors in the lack of segregation of duties. The City recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to the size of the City. The City is aware of the condition and will continue to monitor and implement compensating controls.

Date of Completion

Ongoing

Finding II-B-03. Records of Accounts

Contact person responsible for corrective action: Diane Frandsen (563) 652-2484

Corrective Action

Response: The City will adjust the financial statements to include this information and the financial activity and balances of the Library and Police Department are included in the City Clerk's records.

Date of Completion

Ongoing

Finding II-C-03. Accounting Procedures Manual

Contact person responsible for corrective action: Diane Frandsen (563) 652-2484

Corrective Action

Response: The City concurs with the recommendation, and continues with the development of an accounting procedures manual for the key accounting functions performed by City employees.

Date of Completion

Ongoing

Time Sheets

During our test work, we noted that administrative timesheets were not approved by a supervisor prior to the processing of the payroll. We recommend that all timesheets be reviewed and approved prior to payroll processing to ensure the accuracy of hours reported by individual employees.

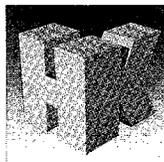
Unclaimed Property

We noted that the City did not file an Unclaimed Property report with the State Treasurer prior to November 1st per the Code of Iowa, Chapter 556.11. This item was brought to the attention of the City Clerk, and subsequently a report was filed. As a reminder, this report is due annually to the State Treasurer before November 1st.

This report is intended solely for the information and use of the City Council and management of the City of Maquoketa, is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Hank Burger" followed by a small symbol and the letter "B".

Dubuque, Iowa
August 26, 2004



Honkamp Krueger & Co., PC.
Certified Public Accountants
& Business Consultants

City Council
City of Maquoketa
Maquoketa, Iowa

In planning and performing our audit of the financial statements of the City of Maquoketa for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

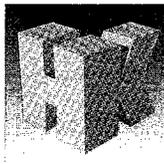
Segregation of Duties

A limited number of City personnel perform many of the accounting and financial functions. Therefore, many of the aspects of an ideal internal accounting control structure are missing in the City due to an inadequate segregation of duties. We recognize that the hiring of additional personnel may not be the most cost effective method to maximize the segregation of accounting duties. However, the City should be aware of this condition and realize that the concentration of duties and responsibilities given to a limited number of City personnel is not ideal with respect to the internal control structure.

A material weakness is a reportable 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 errors or fraud 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable condition described above is believed to be a material weakness.

Additional items that came to our attention during the course of our audit, which are not believed to be material weaknesses and additional information we would like to share with you, include the following:



Honkamp Krueger & Co., P.C.
*Certified Public Accountants
& Business Consultants*

August 26, 2004

To the City Council
City of Maquoketa
Maquoketa, Iowa

We have audited the financial statements of City of Maquoketa for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 30, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Maquoketa. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Maquoketa's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Maquoketa are described in Note 16 to the financial statements. As described in Note 16 to the financial statements, the City of Maquoketa changed accounting policies related to its reporting model by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, Basic

Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedules – Perspective Differences in 2004. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Net Assets – Cash Basis. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Maquoketa’s financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Maquoketa, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Maquoketa’s financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the City’s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the City Council and management of the City of Maquoketa and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely Yours,

A handwritten signature in cursive script that reads "Honkamp Krueger & Co." followed by a stylized flourish.

HONKAMP KRUEGER & CO., P.C.