

City of Maquoketa

Financial Report

June 30, 2007

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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, 2008
Matt Winegar	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
Jason Hute	Council Member	January 1, 2010
Tim Clark	Council Member	January 1, 2010
Galen Saunders	Council Member	January 1, 2010
Brian Wagner	City Manager	Indefinite
Judy Carr	Deputy City Clerk	Indefinite
Diane Frandsen	City Treasurer	Indefinite
Mark Lawson	City Attorney	Indefinite



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, 2007, 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Maquoketa as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2007, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 25 through 26 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City of Maquoketa, Iowa, has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted 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, 2006 (none of which are presented herein), and expressed unqualified opinions on those financial statements, which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.

Honkamp Krueger & Co.

Dubuque, Iowa
October 17, 2007

City of Maquoketa
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2007

		Program Receipts		
Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Functions / Programs:				
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,144,529	\$ 3,090	\$ 217,305	\$ -
Public Works	1,523,950	102,648	513,934	-
Culture and Recreation	530,134	81,785	24,217	-
Community and Economic Development	437,265	208	208,484	-
General Government	437,512	146,318	766,599	-
Debt Service	936,785	-	-	-
Capital Projects	4,596,185	-	15,000	2,002,250
Total Governmental Activities	9,606,360	334,049	1,745,539	2,002,250
Business Type Activities:				
Water Utility	811,315	737,096	-	-
Wastewater Treatment	813,091	892,665	-	-
Stormwater	1,744	123,864	-	-
Total Business Type Activities	1,626,150	1,753,625	-	-
Total Primary Government	\$ 11,232,510	\$ 2,087,674	\$ 1,745,539	\$ 2,002,250
Component Unit:				
Maquoketa Municipal Electric Utility	\$ 6,767,088	\$ 7,187,326	\$ -	\$ -
General Receipts:				
Property Tax Levied for:				
General Purposes				
Insurance				
Employee Benefits				
Tax Increment Financing				
Local Option Sales Tax				
Hotel/Motel Tax				
Licenses, Permits, and Franchise Fees				
Franchise Tax				
Unrestricted Interest on Investments				
Bond Proceeds				
Miscellaneous				
Sale of Assets				
Interfund Loans				
Transfers In (Out)				
Total General Receipts and Transfers				
Change in Cash Basis Net Assets				
Cash Basis Net Assets, Beginning of Year				
Cash Basis Net Assets, End of Year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Assets				

Net (Disbursements) Receipts and
Change in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total	Component Unit
\$ (924,134)	\$ -	\$ (924,134)	\$ -
(907,368)	-	(907,368)	-
(424,132)	-	(424,132)	-
(228,573)	-	(228,573)	-
475,405	-	475,405	-
(936,785)	-	(936,785)	-
(2,578,935)	-	(2,578,935)	-
<u>(5,524,522)</u>	<u>-</u>	<u>(5,524,522)</u>	<u>-</u>
-	(74,219)	(74,219)	-
-	79,574	79,574	-
-	122,120	122,120	-
-	127,475	127,475	-
<u>(5,524,522)</u>	<u>127,475</u>	<u>(5,397,047)</u>	<u>-</u>
-	-	-	420,238
1,073,275	-	1,073,275	-
68,715	-	68,715	-
371,401	-	371,401	-
537,118	-	537,118	-
438,026	-	438,026	-
48,129	-	48,129	-
12,715	-	12,715	-
192,427	-	192,427	-
125,804	71,382	197,186	186,442
1,250,000	2,000	1,252,000	-
651,601	15,185	666,786	191,638
185	-	185	-
-	-	-	-
447,502	(447,502)	-	-
<u>5,216,898</u>	<u>(358,935)</u>	<u>4,857,963</u>	<u>378,080</u>
(307,624)	(231,460)	(539,084)	798,318
<u>5,950,283</u>	<u>2,307,682</u>	<u>8,257,965</u>	<u>3,861,853</u>
<u>\$ 5,642,659</u>	<u>\$ 2,076,222</u>	<u>\$ 7,718,881</u>	<u>\$ 4,660,171</u>
\$ 412,624	\$ -	\$ 412,624	\$ -
(305,514)	-	(305,514)	-
(33,385)	279,691	246,306	-
2,206,048	-	2,206,048	-
3,362,886	1,796,531	5,159,417	4,660,171
<u>\$ 5,642,659</u>	<u>\$ 2,076,222</u>	<u>\$ 7,718,881</u>	<u>\$ 4,660,171</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, 2007

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>
Receipts:		
Property Tax	\$ 1,190,119	\$ -
Tax Increment Financing Collections	-	-
Other City Tax	192,427	-
Licenses and Permits	12,715	-
Use of Money and Property	172,055	-
Intergovernmental	948,894	514,113
Charges for Service	192,288	-
Miscellaneous	621,181	-
Total Receipts	<u>3,329,679</u>	<u>514,113</u>
Disbursements:		
Operating:		
Public Safety	975,583	-
Public Works	1,239,416	147,075
Culture and Recreation	465,260	-
Community and Economic Development	125,099	-
General Government	385,171	-
Debt Service	-	-
Capital Projects	-	-
Total Disbursements	<u>3,190,529</u>	<u>147,075</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>139,150</u>	<u>367,038</u>
Other Financing Sources (Uses)		
Sale of Capital Assets	185	-
Bond Proceeds	-	-
Operating Transfers In	2,051,354	-
Operating Transfers Out	<u>(1,879,648)</u>	<u>(379,352)</u>
Total Other Financing Sources (Uses)	<u>171,891</u>	<u>(379,352)</u>
Net Change in Cash Balances	311,041	(12,314)
Cash Balances, Beginning of Year	2,851,720	424,938
Cash Balances, End of Year	<u>\$ 3,162,761</u>	<u>\$ 412,624</u>
Cash Basis Fund Balances		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General Fund	3,162,761	-
Special Revenue Funds	-	412,624
Capital Project Funds	-	-
Total Cash Basis Fund Balances	<u>\$ 3,162,761</u>	<u>\$ 412,624</u>

Exhibit B

Capital Projects		Debt Service	Other Nonmajor Governmental Funds	Total
General	ARC			
\$ -	\$ -	\$ -	\$ 371,401	\$ 1,561,520
-	-	-	537,118	537,118
-	-	-	438,026	630,453
-	-	-	-	12,715
28,193	42,756	649	10,044	253,697
-	679,226	-	174,335	2,316,568
-	-	-	-	192,288
600	1,201,139	-	211,219	2,034,139
<u>28,793</u>	<u>1,923,121</u>	<u>649</u>	<u>1,742,143</u>	<u>7,538,498</u>
-	-	-	93,781	1,069,364
-	-	-	37,390	1,423,881
-	-	-	30,073	495,333
-	-	-	283,464	408,563
-	-	-	23,585	408,756
-	-	936,785	-	936,785
824,537	3,767,382	-	4,266	4,596,185
<u>824,537</u>	<u>3,767,382</u>	<u>936,785</u>	<u>472,559</u>	<u>9,338,867</u>
(795,744)	(1,844,261)	(936,136)	1,269,584	(1,800,369)
-	-	-	-	185
-	1,250,000	-	-	1,250,000
929,394	1,600,000	951,075	52,154	5,583,977
-	(408,454)	-	(2,682,066)	(5,349,520)
<u>929,394</u>	<u>2,441,546</u>	<u>951,075</u>	<u>(2,629,912)</u>	<u>1,484,642</u>
133,650	597,285	14,939	(1,360,328)	(315,727)
1,211,805	-	(48,324)	1,318,122	5,758,261
<u>\$ 1,345,455</u>	<u>\$ 597,285</u>	<u>\$ (33,385)</u>	<u>\$ (42,206)</u>	<u>\$ 5,442,534</u>
\$ -	\$ -	\$ (33,385)	\$ -	\$ (33,385)
-	-	-	-	3,162,761
-	597,285	-	(162,871)	847,038
1,345,455	-	-	120,665	1,466,120
<u>\$ 1,345,455</u>	<u>\$ 597,285</u>	<u>\$ (33,385)</u>	<u>\$ (42,206)</u>	<u>\$ 5,442,534</u>

See Notes to Financial Statements

City of Maquoketa
Reconciliation of the Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances to the Statement of Activities
and Net Assets - Governmental Funds
As of and for the Year Ended June 30, 2007

Total Governmental Funds Cash Balance (page 5) \$ 5,442,534

***Amounts Reported for Governmental Activities in the
Statement of Activities and Net Assets Are Different because:***

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

200,125

Cash Basis Net Assets of Governmental Activities (page 4) \$ 5,642,659

Net Change in Cash Balances (page 5) \$ (315,727)

***Amounts Reported for Governmental Activities in the
Statement of Activities and Net Assets Are Different because:***

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

8,103

Change in Cash Balance of Governmental Activities (page 4) \$ (307,624)

City of Maquoketa
Statement of Cash Receipts, Disbursements, and Changes in
Cash Balances - Proprietary Funds
As of and for the Year Ended June 30, 2007

	Enterprise Funds	
	Water Utility	Wastewater Treatment
Operating Receipts:		
Use of Money and Property	\$ 39,786	\$ 31,596
Charges for Service	737,096	892,665
Miscellaneous	-	-
Total Operating Receipts	776,882	924,261
Operating Disbursements:		
Governmental Activities:		
Public Safety	-	-
Public Works	-	-
Culture and Recreation	-	-
Community and Economic Development	-	-
General Government	-	-
Business Type Activities	811,315	813,091
Total Operating Disbursements	811,315	813,091
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(34,433)	111,170
Non-Operating Receipts (Disbursements):		
Intergovernmental	-	-
Miscellaneous	15,185	-
General Obligation Bond Proceeds	2,000	-
Total Non-Operating Receipts (Disbursements)	17,185	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(17,248)	111,170
Other Financing Sources (Uses)		
Interfund Loans	-	-
Operating Transfers In	-	109,507
Operating Transfers Out	(211,446)	(222,091)
Total Other Financing Sources (Uses)	(211,446)	(112,584)
Net Change in Cash Balances	(228,694)	(1,414)
Cash Balances Beginning of Year	1,324,147	1,292,909
Cash Balances End of Year	\$ 1,095,453	\$ 1,291,495
Cash Basis Fund Balances		
Reserved for Debt Service	\$ -	\$ 279,691
Unreserved	1,095,453	1,011,804
Total Cash Basis Fund Balance	\$ 1,095,453	\$ 1,291,495

Exhibit D

Enterprise Funds		Internal Service Fund
Storm Water	Total	Employee Health
\$ -	\$ 71,382	\$ 1,567
123,864	1,753,625	36,759
-	-	24,225
<u>123,864</u>	<u>1,825,007</u>	<u>62,551</u>
-	-	75,165
-	-	100,069
-	-	34,801
-	-	28,702
-	-	28,756
1,744	1,626,150	-
<u>1,744</u>	<u>1,626,150</u>	<u>267,493</u>
122,120	198,857	(204,942)
-	-	-
-	15,185	-
-	2,000	-
-	<u>17,185</u>	<u>-</u>
122,120	216,042	(204,942)
-	-	-
-	109,507	213,045
(123,472)	(557,009)	-
(123,472)	(447,502)	213,045
(1,352)	(231,460)	8,103
(309,374)	2,307,682	192,022
<u>\$ (310,726)</u>	<u>\$ 2,076,222</u>	<u>\$ 200,125</u>
\$ -	\$ 279,691	\$ -
(310,726)	1,796,531	200,125
<u>\$ (310,726)</u>	<u>\$ 2,076,222</u>	<u>\$ 200,125</u>

See Notes to Financial Statements

City of Maquoketa
Reconciliation of the Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances to the Statement of Activities
and Net Assets - Proprietary Funds
As of and for the Year Ended June 30, 2007

Total Enterprise Funds Cash Balance (page 7)	\$ 2,076,222
 <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 4)	\$ 2,076,222
Net Change in Cash Balances (page 7)	\$ (231,460)
 <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 Business Type Activities (page 4)	\$ (231,460)

City of Maquoketa
Statement of Cash Receipts, Disbursements, and Changes
in Cash Balances - Fiduciary Funds
As of and for the Year Ended June 30, 2007

	<u>Police Retirement System</u>
Additions:	
Contributions:	
Plan Members	\$ 43,795
Total Contributions	<u>43,795</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	49,919
Interest	54,096
Total Investment Earnings	<u>104,015</u>
Total Additions	<u>147,810</u>
Deductions:	
Benefits	<u>180,368</u>
Total Deductions	<u>180,368</u>
Other Financing Sources (Uses):	
Interfund Loan	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Cash Balances	(32,558)
Cash Balances - Beginning of the Year	<u>684,333</u>
Cash Balances- End of the Year	<u><u>\$ 651,775</u></u>

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 City also provides water and sewer utilities for its citizens.

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. Nature of Organization and 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 non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent, on fees and charges for services.

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

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

Unrestricted Net Assets consist of net assets not meeting 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. Nature of Organization and 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 non-major governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

Capital Projects:

The General (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 general operations.

The A.R.C. (CIP) Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets used in connection with the A.R.C.

The Debt Service Fund accounts for the payment of interest and principal on the City's general long-term debt except when authorized or required to be paid from other funds.

The City reports the following major proprietary funds:

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

The Waste Water Treatment 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. Nature of Organization and 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

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, 2007, disbursements did not exceed the amount budgeted.

City of Maquoketa

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2007, 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.

At June 30, 2007, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$ 662,466	\$ 681,975	----
Stocks	414,042	429,466	----
Corporate Bonds:			
General Electric Cap. Corp.	25,000	24,451	5/9/2018
Lehman Bros Coml Bk Salt	10,000	9,881	10/28/2009
R-G Crown Bank CD Semi	14,000	13,771	8/19/2009
General Motors Accept Corp Medium Term Notes	75,000	72,335	11/15/2008
Westernbank PR Mayaguez	60,000	58,153	1/20/2010
Principal Life Corenotes	40,000	37,945	11/17/2014
JP Morgan Chase Cap XI	37,589	36,128	6/15/2033
PNC Capital Trust D	37,500	34,920	12/15/2033
Goldman Sachs Group, Inc. Note	25,000	24,344	8/1/2022
John Hancock Life Insurance Co. Signature Notes	50,000	46,125	10/15/2028
U.S. Government Bonds:			
Federal Home Ln Bks Deb 5.62%	25,000	24,297	8/6/2018
Federal Home Ln Bks Deb 6.00%	25,000	25,242	7/12/2016
Federal Home Ln Bks Deb 5.55%	50,000	48,063	6/22/2020
FHLM Corp. 4.00%	24,500	23,739	7/16/2018
FHLB 6.23%	10,000	10,000	6/29/2022
Federal Home Ln Mtg Corp Mtnf 5.00%	14,848	14,366	8/15/2015
Federal Natl Mtg Assn Mtn Deb 5.00%	40,000	39,212	1/21/2020
Federal Natl Mtg Assn Mtn Deb 5.00%	40,000	38,588	4/8/2019
Federal Home Ln Bks Deb 6.00%	10,000	9,925	2/26/2016
Federal Home Ln Mtg Corp	19,856	19,613	2/27/2009
Federal Natl Mtg Assn Investment Notes B/E	44,827	43,664	9/12/2013
FHLMC Remic 2854-EE	25,000	23,802	9/15/2034
GNMA Pool #493023 6.00%	5,894	5,999	11/15/2013

City of Maquoketa

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments (Continued)

Certain investments included on the preceding page that are held by the Police Retirement System Fund (Fiduciary fund) in the amount of \$624,829 are reported at fair value in the financial statements because the original cost of these investments is unknown.

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 Capital Loan Notes		Real Estate Contracts		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 155,000	\$ 87,390	\$ 4,680	\$ 468	\$ 103,000	\$ 10,304
2009	220,000	81,935	4,680	234	107,000	6,377
2010	185,000	74,265	----	----	111,000	2,300
2011	430,000	67,705	----	----	6,000	113
2012	405,000	52,610	----	----	----	----
2013	420,000	37,985	----	----	----	----
2014	415,000	22,400	----	----	----	----
2015	170,000	6,630	----	----	----	----
TOTALS	\$ 2,400,000	\$ 430,920	\$ 9,360	\$ 702	\$ 327,000	\$ 19,094

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

Year Ending June 30	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 240,000	\$ 289,323	\$ 163,000	\$ 195,045	\$ 665,680	\$ 582,530
2009	210,000	218,980	458,000	183,250	999,680	490,776
2010	220,000	209,045	478,000	164,450	994,000	450,060
2011	90,000	155,165	498,000	144,810	1,024,000	367,793
2012	95,000	151,250	519,000	124,315	1,019,000	328,175
2013	95,000	146,975	189,000	111,015	704,000	295,975
2014	100,000	142,605	194,000	105,270	709,000	270,275
2015	775,000	137,905	201,000	99,345	1,146,000	243,880
2016	760,000	96,690	206,000	93,240	966,000	189,930
2017	810,000	55,650	330,000	85,200	1,140,000	140,850
2018	200,000	11,100	340,000	75,150	540,000	86,250
2019	----	----	351,000	64,785	351,000	64,785
2020	----	----	360,000	54,120	360,000	54,120
2021	----	----	372,000	43,140	372,000	43,140
2022	----	----	383,000	31,815	383,000	31,815
2023	----	----	335,687	20,160	335,687	20,160
2024	----	----	154,000	11,940	154,000	11,940
2025	----	----	158,000	7,260	158,000	7,260
2026	----	----	163,000	2,445	163,000	2,445
TOTALS	<u>\$ 3,595,000</u>	<u>\$ 1,614,688</u>	<u>\$ 5,852,687</u>	<u>\$ 1,616,755</u>	<u>\$ 12,184,047</u>	<u>\$ 3,682,159</u>

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 Special Revenue, 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.

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

- (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.
- (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.

City of Maquoketa

Notes to Financial Statements

NOTE 4. Pension and Retirement Benefits (Continued)

Most regular Plan members are required to contribute 3.7% of their annual salary, and the City is required to contribute 5.75% of covered salary, except for police employees, in which case the percentages are 6.08% and 9.12%, respectively. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$48,702, \$45,133, and \$42,294, respectively, equal to the required contributions for each year.

The City also 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, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35% of their earnable compensation, and the City's contribution rate, based on an actuarially determined normal contribution rate, cannot 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, 2007, 2006, and 2005, were \$125,508, \$122,058, and \$106,369, 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, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 56,784
Sick Leave	<u>55,407</u>
Total	<u>\$ 112,191</u>

City of Maquoketa

Notes to Financial Statements

NOTE 5. Compensated Absences (Continued)

Sick leave 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, 2007.

NOTE 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

Transfer To:	Transfer From:	Amount
General	Special Revenue:	
	Jackson County Task Force	\$ 3,617
	Road Use Tax	23,759
	Local Option Tax	328,659
	Employee Benefits	15,751
	Capital Projects:	
	Industrial Park	1,600,000
	ARC	3,912
	Enterprise:	
	Water Utility	38,591
	Wastewater Utility	<u>37,065</u>
		<u>\$ 2,051,354</u>
Capital Projects:		
Airport (CIP)	General	<u>\$ 48,000</u>
ARC (CIP)	General	<u>\$ 1,600,000</u>
Library (CIP)	General	<u>\$ 4,154</u>
General (CIP)	General	205,577
	Special Revenue:	
	Road Use Tax	319,275
	Capital Projects:	
	ARC	<u>404,542</u>
		<u>\$ 929,394</u>

City of Maquoketa
Notes to Financial Statements

NOTE 6. Interfund Transfers (Continued)

Transfer To:	Transfer From:	Amount
Debt Service	Special Revenue:	
	Road Use Tax	\$ 36,318
	Urban Renewal Tax Increment	282,776
	Capital Projects:	
	Industrial Park	150,628
	Enterprise:	
	Water Utility	172,855
	Wastewater Utility	185,026
	Storm Water	<u>123,472</u>
		<u>\$ 951,075</u>
Enterprise: Wastewater Utility	Special Revenue: Local Option Tax	<u>\$ 109,507</u>
Internal Service Fund: Employee Health	General	\$ 21,916
	Special Revenue: Employee Benefits	<u>191,129</u>
		<u>\$ 213,045</u>
TOTAL		<u>\$ 5,906,529</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 \$2,143 during the year ended June 30, 2007.

City of Maquoketa

Notes to Financial Statements

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.

NOTE 9. Deficit Fund Balance

The Urban Renewal Tax Increment, Local Option Sales Tax, Employee Benefits, Jackson County Task Force, Storm Water, and Debt Service funds had deficit fund balance amounts of \$305,514, \$140, \$36,540, \$14,781, \$310,726, and \$33,385, respectively, at June 30, 2007. The City will be receiving grant money, donations, and transfer funds to eliminate these deficit fund balances.

NOTE 10. Construction in Progress

The City has entered into various construction contracts totaling approximately \$7,831,320. The unpaid contract balances as of June 30, 2007, totaled approximately \$2,394,630, which will be paid as work on the projects progress.

NOTE 11. 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 12. Notes Receivable

In order to assist property owners of Maquoketa with the cost of replacing their Orangeburg tile, a material not considered suitable in a current water/sewer project, the City is offering to pay the initial cost of the replacement to a qualified contractor/plumber. The City will then allow property owners to repay the City, on a monthly basis, over the course of two years at a zero percent interest rate. As of June 30, 2007, the City had signed agreements with property owners for an estimated cost of \$6,541. Final note receivable balances will be based on the actual charges for the work when it is done.

NOTE 13. Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met. Obligations under the agreement are subject to annual appropriation by the City Council. The total paid by the City under the agreements during the year ended June 30, 2007, was \$127,592.

The City's obligation under these agreements for the fiscal year 2008 will not exceed \$127,592.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitution debt limitation of the City.

NOTE 14. Litigation

The City is subject to a possible claim seeking monetary damages. The matter has been referred to the City's insurance carrier for review of potential liability for damages incurred due to a leak in a city water main. The City denies liability for the incident and would vigorously defend any potential litigation. No provisions have been made in the financial statements related to this possible claim.

City of Maquoketa
Notes to Financial Statements

NOTE 15. Lease Agreements

1. The City 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 is a party to an operating lease for the corporate hangar at the municipal airport. The lease runs from July 1, 2006, through June 30, 2009, and requires rental payments of \$276 per month. 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. The lease contains an automatic three-year renewal, unless written notice is given by the City to the tenant within 90 days prior to the expiration of each three-year lease term.

NOTE 16. Subsequent Events

Subsequent to year-end, the City has entered into construction contracts totaling \$15,000 for various projects.

NOTE 17. General Fund Cash Balance

The June 30, 2007 ending cash balance (the balance carried at financial institutions, reconciled for deposits in transit and outstanding checks) for the General Fund was \$3,162,761, as reflected on Exhibit B. Several funds comprise this balance, some of which may not be used for operations, and are as follows:

<u>Fund Name</u>		<u>Balance</u>
General	001	\$ 1,035,239
Rehab	014	11,520
Insurance Reserve	019	172,157
Library	031	15,320
Library Corporation	032	1,992,751
Historic Preservation	067	4,832
Historic Preservation	069	4,551
Airport	660	<u>(73,609)</u>
TOTAL		<u>\$ 3,162,761</u>

City of Maquoketa

Notes to Financial Statements

NOTE 18. Scott County Family Y (YMCA) Agreement

During the year ending June 30, 2007, the City began constructing a new indoor pool and recreation center, known as the Area Recreation Center ("ARC"). On June 5, 2007, the City entered into an agreement with the Scott County Family Y (the "YMCA"), whereas the YMCA will act as the exclusive agent of the City to manage, operate, and maintain the ARC. The initial term of this agreement shall be three years commencing July 1, 2007. At the end of the initial term, this agreement may be extended for an additional term of 10 years at the option of the YMCA. The City shall provide to the YMCA as support the sum of \$125,000 annually. This sum shall be paid in semi-annual installments of \$62,500 commencing July 1, 2007 and January 2, 2008 and continuing on each July 1 and January 2 thereafter during the term of this agreement. In addition, the City shall provide to the YMCA up to \$75,000 per year in "start-up" operating assistance to the facility for three calendar years commencing January 1, 2007.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	\$ 1,561,520	\$ -	\$ -
Tax Increment Financing Collections	537,118	-	-
Other City Tax	630,453	-	-
Licenses and Permits	12,715	-	-
Use of Money and Property	253,697	72,949	1,567
Intergovernmental	2,316,568	-	-
Charges for Service	192,288	1,790,384	36,759
Miscellaneous	2,034,139	39,410	24,225
Total Receipts	7,538,498	1,902,743	62,551
Disbursements:			
Public Safety	1,069,364	75,165	75,165
Public Works	1,423,881	100,069	100,069
Culture and Recreation	495,333	34,801	34,801
Community and Economic Development	408,563	28,702	28,702
General Government	408,756	28,756	28,756
Debt Service	936,785	-	-
Capital Projects	4,596,185	-	-
Business Type Activities	-	1,626,150	-
Total Disbursements	9,338,867	1,893,643	267,493
Excess of Receipts over Disbursements	(1,800,369)	9,100	(204,942)
Other Financing Sources, Net	1,484,642	(232,457)	213,045
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(315,727)	(223,357)	8,103
Balances, Beginning of Year	5,758,261	2,499,704	177,531
Balances, End of Year	<u>\$ 5,442,534</u>	<u>\$ 2,276,347</u>	<u>\$ 185,634</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,561,520	\$ 1,452,831	\$ 1,452,831	\$ 108,689
537,118	642,122	642,122	(105,004)
630,453	430,021	502,334	128,119
12,715	8,950	12,150	565
325,079	246,924	280,784	44,295
2,316,568	2,361,179	3,645,584	(1,329,016)
1,945,913	1,898,365	1,898,365	47,548
2,049,324	267,299	921,553	1,127,771
<u>9,378,690</u>	<u>7,307,691</u>	<u>9,355,723</u>	<u>22,967</u>
1,069,364	1,077,773	1,449,673	380,309
1,423,881	1,694,550	2,832,380	1,408,499
495,333	538,235	552,707	57,374
408,563	465,482	790,632	382,069
408,756	398,702	424,302	15,546
936,785	937,374	937,374	589
4,596,185	565,283	6,275,017	1,678,832
1,626,150	2,063,576	2,439,299	813,149
<u>10,965,017</u>	<u>7,740,975</u>	<u>15,701,384</u>	<u>4,736,367</u>
(1,586,327)	(433,284)	(6,345,661)	4,759,334
1,039,140	-	3,500,000	(2,460,860)
(547,187)	(433,284)	(2,845,661)	2,298,474
8,080,434	7,652,529	7,147,432	933,002
<u>\$ 7,533,247</u>	<u>\$ 7,219,245</u>	<u>\$ 4,301,771</u>	<u>\$ 3,231,476</u>

See Accompanying Independent Auditor's Report

City of Maquoketa

Notes to Required Supplementary Information – Budgetary Reporting

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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. 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, two budget amendments increased budgeted revenues by \$2,048,032 and increased budgeted disbursements by \$5,912,377. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

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, 2007

	Special Revenue		
	DARE	Bi-Centennial	Economic Development Revolving
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Use of Money and Property	-	-	5,742
Intergovernmental	-	-	-
Miscellaneous	-	76	-
Total Receipts	<u>-</u>	<u>76</u>	<u>5,742</u>
Disbursements:			
Operating:			
Public Safety	60	-	-
Public Works	-	-	-
Culture and Recreation	-	10	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	<u>60</u>	<u>10</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(60)</u>	<u>66</u>	<u>5,742</u>
Other Financing Sources (Uses):			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	(60)	66	5,742
Cash Balances, Beginning of Year	<u>333</u>	<u>1,295</u>	<u>177,334</u>
Cash Balances, End of Year	<u>\$ 273</u>	<u>\$ 1,361</u>	<u>\$ 183,076</u>
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 273	\$ 1,361	\$ 183,076
Capital Project Fund	-	-	-
Total Cash Basis Fund Balance	<u>\$ 273</u>	<u>\$ 1,361</u>	<u>\$ 183,076</u>

Schedule 1

Urban Renewal Tax Increment	Housing Assistance Program	Employee Benefits	Police Forfeiture	Local Option Sales Tax	Jackson County Task Force
\$ -	\$ -	\$ 371,401	\$ -	\$ -	\$ -
537,118	-	-	-	-	-
-	-	-	-	438,026	-
-	-	-	60	-	-
-	-	-	-	-	41,929
-	208,484	-	2,659	-	-
<u>537,118</u>	<u>208,484</u>	<u>371,401</u>	<u>2,719</u>	<u>438,026</u>	<u>41,929</u>
-	-	45,937	2,148	-	45,636
-	-	37,390	-	-	-
-	-	30,063	-	-	-
107,494	175,970	-	-	-	-
-	-	23,585	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>107,494</u>	<u>175,970</u>	<u>136,975</u>	<u>2,148</u>	<u>-</u>	<u>45,636</u>
<u>429,624</u>	<u>32,514</u>	<u>234,426</u>	<u>571</u>	<u>438,026</u>	<u>(3,707)</u>
-	-	-	-	-	-
-	-	-	-	-	-
(282,776)	-	(206,879)	-	(438,166)	(3,617)
<u>(282,776)</u>	<u>-</u>	<u>(206,879)</u>	<u>-</u>	<u>(438,166)</u>	<u>(3,617)</u>
146,848	32,514	27,547	571	(140)	(7,324)
(452,362)	(30,740)	(64,087)	7,049	-	(7,457)
<u>(305,514)</u>	<u>1,774</u>	<u>(36,540)</u>	<u>7,620</u>	<u>(140)</u>	<u>(14,781)</u>
(305,514)	\$ 1,774	\$ (36,540)	\$ 7,620	\$ (140)	\$ (14,781)
-	-	-	-	-	-
<u>(305,514)</u>	<u>1,774</u>	<u>(36,540)</u>	<u>7,620</u>	<u>(140)</u>	<u>(14,781)</u>

(Continued)

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, 2007

	Capital Projects			Total
	Industrial Park	Library	Airport	
Receipts:				
Property Tax	\$ -	\$ -	\$ -	\$ 371,401
Tax Increment Financing Collections	-	-	-	537,118
Other City Tax	-	-	-	438,026
Use of Money and Property	2,400	-	1,842	10,044
Intergovernmental	132,406	-	-	174,335
Miscellaneous	-	-	-	211,219
Total Receipts	<u>134,806</u>	<u>-</u>	<u>1,842</u>	<u>1,742,143</u>
Disbursements:				
Operating:				
Public Safety	-	-	-	93,781
Public Works	-	-	-	37,390
Culture and Recreation	-	-	-	30,073
Community and Economic Development	-	-	-	283,464
General Government	-	-	-	23,585
Debt Service	-	-	-	-
Capital Projects	112	4,154	-	4,266
Total Disbursements	<u>112</u>	<u>4,154</u>	<u>-</u>	<u>472,559</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>134,694</u>	<u>(4,154)</u>	<u>1,842</u>	<u>1,269,584</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Operating Transfers In	-	4,154	48,000	52,154
Operating Transfers Out	(1,750,628)	-	-	(2,682,066)
Total Other Financing Sources (Uses)	<u>(1,750,628)</u>	<u>4,154</u>	<u>48,000</u>	<u>(2,629,912)</u>
Net Change in Cash Balances	(1,615,934)	-	49,842	(1,360,328)
Cash Balances, Beginning of Year	<u>1,652,669</u>	<u>31</u>	<u>34,057</u>	<u>1,318,122</u>
Cash Balances, End of Year	<u>\$ 36,735</u>	<u>\$ 31</u>	<u>\$ 83,899</u>	<u>\$ (42,206)</u>
Cash Basis Fund Balances:				
Unreserved:				
Special Revenue Funds	\$ -	\$ -	\$ -	\$ (162,871)
Capital Project Fund	36,735	31	83,899	120,665
Total Cash Basis Fund Balance	<u>\$ 36,735</u>	<u>\$ 31</u>	<u>\$ 83,899</u>	<u>\$ (42,206)</u>

See Accompanying Independent Auditor's Report

**City of Maquoketa
Schedule of Indebtedness
Year Ended June 30, 2007**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
2005A Refunding Capital Loan Notes	August 10, 2005	2.75% - 3.90%	\$ 2,095,000
2006A Capital Loan Notes	March 1, 2006	3.55% - 4.00%	515,000
Total			<u>\$ 2,610,000</u>
Revenue Bonds:			
Parking Lot	December 1, 1967	3.50%	\$ 221,000
Department of Natural Resources (DNR) Revolving Loan - Sewer	August 8, 1994	3.74%	2,046,000
Total			<u>\$ 2,267,000</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%	1,290,000
Total			<u>\$ 7,375,000</u>
Revenue Notes:			
Sewer	May 3, 2002	3.00%	\$ 2,500,000
Water	June 13, 2005	3.00%	2,500,000
Enterprise	May 30, 2007	4.60%	1,250,000
Total			<u>\$ 6,250,000</u>
Real Estate Contract	March 1, 2002	5.60%	<u>\$ 137,000</u>
Real Estate Contract	December 22, 2003	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
\$ 2,045,000	\$ -	\$ 40,000	\$ 2,005,000	\$ 1,220	\$ -
515,000	-	120,000	395,000	20,346	-
<u>\$ 2,560,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 2,400,000</u>	<u>\$ 21,566</u>	<u>\$ -</u>
\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -
426,000	-	101,000	325,000	11,265	-
<u>\$ 428,000</u>	<u>\$ -</u>	<u>\$ 101,000</u>	<u>\$ 327,000</u>	<u>\$ 11,265</u>	<u>\$ -</u>
\$ 500,000	\$ -	\$ 115,000	\$ 385,000	\$ 69,626	\$ -
35,000	-	35,000	-	9,073	-
-	-	-	-	3,117	-
2,500,000	-	-	2,500,000	135,745	-
745,000	-	75,000	670,000	32,010	-
80,000	-	40,000	40,000	65,054	-
<u>\$ 3,860,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 3,595,000</u>	<u>\$ 314,625</u>	<u>\$ -</u>
\$ 2,260,687	\$ -	\$ 65,000	\$ 2,195,687	\$ 68,595	\$ -
2,498,000	2,000	93,000	2,407,000	73,545	-
-	1,250,000	-	1,250,000	-	-
<u>\$ 4,758,687</u>	<u>\$ 1,252,000</u>	<u>\$ 158,000</u>	<u>\$ 5,852,687</u>	<u>\$ 142,140</u>	<u>\$ -</u>
\$ 68,500	\$ -	\$ 68,500	\$ -	\$ 3,836	\$ -
\$ 14,040	\$ -	\$ 4,680	\$ 9,360	\$ 702	\$ -

See Accompanying Independent Auditor's Report

City of Maquoketa
Schedule of Bond and Note Maturities
Year Ended June 30, 2007

Year Ending June 30,	<u>General Obligation Note</u> <u>2005A Refunding CLN</u> <u>Issued August 10, 2005</u>		<u>General Obligation Note</u> <u>2006A CLN</u> <u>Issued March 1, 2006</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2008	3.10%	25,000	3.60%	130,000
2009	3.25%	90,000	3.65%	130,000
2010	3.40%	95,000	3.70%	90,000
2011	3.50%	415,000	3.80%	15,000
2012	3.60%	390,000	3.90%	15,000
2013	3.70%	405,000	4.00%	15,000
2014	3.80%	415,000		-
2015	3.90%	170,000		-
Total		\$ 2,005,000		\$ 395,000

Year Ending June 30,	<u>Real Estate Contract</u> <u>Issued December 22, 2003</u>		<u>Revenue Notes</u> <u>ARC</u> <u>Issued May 30, 2007</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2008	5.00%	4,680	4.60%	-
2009	5.00%	4,680	4.60%	290,000
2010		-	4.60%	305,000
2011		-	4.60%	320,000
2012		-	4.60%	335,000
2013		-		-
2014		-		-
2015		-		-
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
2025		-		-
2026		-		-
Total		\$ 9,360		\$ 1,250,000

Revenue Bonds

Year Ending June 30,	Sewer (DNR Revolving Loan) Originally Issued August 10, 1994 Exchanged and Issued August 8, 1995		Parking Lot Issued December 1, 1967		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.74%	101,000	3.50%	2,000	103,000
2009	3.74%	107,000	-	-	107,000
2010	3.74%	111,000	-	-	111,000
2011	3.74%	6,000	-	-	6,000
2012		-	-	-	-
2013		-	-	-	-
2014		-	-	-	-
2015		-	-	-	-
Total		\$ 325,000		\$ 2,000	\$ 327,000

Revenue Notes

Year Ending June 30,	Sewer Issued May 3, 2002		Water Issued June 13, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.00%	67,000	3.00%	96,000	163,000
2009	3.00%	69,000	3.00%	99,000	458,000
2010	3.00%	71,000	3.00%	102,000	478,000
2011	3.00%	73,000	3.00%	105,000	498,000
2012	3.00%	76,000	3.00%	108,000	519,000
2013	3.00%	78,000	3.00%	111,000	189,000
2014	3.00%	80,000	3.00%	114,000	194,000
2015	3.00%	83,000	3.00%	118,000	201,000
2016	3.00%	85,000	3.00%	121,000	206,000
2017	3.00%	205,000	3.00%	125,000	330,000
2018	3.00%	211,000	3.00%	129,000	340,000
2019	3.00%	218,000	3.00%	133,000	351,000
2020	3.00%	224,000	3.00%	136,000	360,000
2021	3.00%	231,000	3.00%	141,000	372,000
2022	3.00%	238,000	3.00%	145,000	383,000
2023	3.00%	186,687	3.00%	149,000	335,687
2024		-	3.00%	154,000	154,000
2025		-	3.00%	158,000	158,000
2026		-	3.00%	163,000	163,000
Total		\$ 2,195,687		\$ 2,407,000	\$ 5,852,687

(Continued)

City of Maquoketa
Schedule of Bond and Note Maturities (Continued)
Year Ended June 30, 2007

Year Ending June 30,	General Obligation Notes					
	Corporate Purpose Issued October 1, 2002		Corporate Purpose Issued February 1, 1996		Corporate Purpose Issued July 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	3.85%	80,000	5.00%	120,000	5.60%	40,000
2009	4.05%	80,000	5.15%	130,000		-
2010	4.20%	85,000	5.30%	135,000		-
2011	4.35%	90,000		-		-
2012	4.50%	95,000		-		-
2013	4.60%	95,000		-		-
2014	4.70%	100,000		-		-
2015	4.80%	45,000		-		-
Total		\$ 670,000		\$ 385,000		\$ 40,000

General Obligation Notes Corporate Purpose Issued June 1, 2001		General Obligation Notes		Total Maturities
Interest Rates	Amount	Total		
	-	240,000	665,680	
	-	210,000	999,680	
	-	220,000	994,000	
	-	90,000	1,024,000	
	-	95,000	1,019,000	
	-	95,000	704,000	
	-	100,000	709,000	
5.35%	730,000	775,000	1,146,000	
5.40%	760,000	760,000	966,000	
5.50%	810,000	810,000	1,140,000	
5.55%	200,000	200,000	540,000	
	-	-	351,000	
	-	-	360,000	
	-	-	372,000	
	-	-	383,000	
	-	-	335,687	
	-	-	154,000	
	-	-	158,000	
	-	-	163,000	
	\$ 2,500,000	\$ 3,595,000	\$ 12,184,047	

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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property Tax	\$ 1,561,520	\$ 1,363,341	\$ 1,387,111	\$ 1,523,876
Tax Increment Financing Collections	537,118	394,665	397,422	297,274
Other City Tax	630,453	448,731	493,801	481,059
Licenses and Permits	12,715	11,440	12,392	26,465
Use of Money and Property	253,697	98,006	188,252	68,678
Intergovernmental	2,316,568	1,127,836	1,541,942	988,589
Charges for Services	192,288	180,297	173,511	242,028
Miscellaneous	2,034,139	851,524	489,140	1,466,240
Total	<u>\$ 7,538,498</u>	<u>\$ 4,475,840</u>	<u>\$ 4,683,571</u>	<u>\$ 5,094,209</u>
Disbursements:				
Operating:				
Public Safety	\$ 1,069,364	\$ 880,321	\$ 1,127,686	\$ 1,096,237
Public Works	1,423,881	827,605	704,339	942,530
Culture and Recreation	495,333	534,748	518,365	495,077
Community and Economic Development	408,563	324,020	487,139	350,060
General Government	408,756	608,647	420,332	423,993
Debt Service	936,785	661,767	609,193	613,160
Capital Projects	4,596,185	258,254	317,252	1,854,959
Total	<u>\$ 9,338,867</u>	<u>\$ 4,095,362</u>	<u>\$ 4,184,306</u>	<u>\$ 5,776,016</u>

See Accompanying Independent Auditor's Report

City of Maquoketa
Additional Information Required by the
Sewer Revenue Bond Resolution
June 30, 2007
(Unaudited)

Insurance - the City has the following insurance coverage.

Insurance Company Address and Policy Number	Insurance Coverage	Amount of Coverage	Expiration Date of Policy
Employers Mutual Companies Des Moines, Iowa Package Policy Policy #8X5-19-34-07	Property	\$ 22,576,650	4/1/2008
	Inland Marine	811,346	4/1/2008
	General Liability	1,000,000	4/1/2008
	Business Auto	1,000,000	4/1/2008
	Umbrella Excess	4,000,000	4/1/2008
	Employee Dishonesty	310,000	4/1/2008
	Linebacker	1,000,000	4/1/2008
	Crime	30,000	4/1/2008
	Commercial Output	28,200,831	4/1/2008
Travelers Group Hartford, Connecticut Policy # BAJ-BM21-702X7309-TIL-07	Sewage & Water Treatment & Distribution	\$ 2,000,000	1/1/2008
Old Republic Insurance Company Greensburg, Pennsylvania Policy # PR 227803	Airport Owners and Operators General Liability	\$ 2,000,000	1/1/2008
Nationwide Bethesda, Maryland Policy #5050326247, #5050326239, #5050326254	Flood Insurance Program	\$ 112,000	4/4/2008
VFIS A Division of Glatfelter Insurance Group York, Pennsylvania Policy #VFP 2316-0204C-07	Maquoketa Volunteer Fire Dept. & Rescue Squad	\$ 825,800	1/1/2008
Meinecke-Richards Agency, Inc. Maquoketa, Iowa Policy #AHD0010189	Youth Baseball/Softball	\$ 5,000	12/4/2007
Iowa Municipalities Workers' Compensation Assoc. Des Moines, Iowa Policy #1075-0607	Workers' Compensation Coverage	\$ 2,000,000	7/1/2008

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 2,500 users.

City of Maquoketa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- Through Number</u>	<u>Program Expenditures</u>
Direct:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	AIP #3-19-0055-01	\$ 657,830
Total Direct			<u>657,830</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/ State's Program	14.228	04-HSG-015	150,508
HOME Investment Partnership Programs	14.239	03-HM-174	<u>25,463</u>
			<u>175,971</u>
Department of Justice:			
Office of Drug Control Policy:			
Edward Bryne Justice Assistance Grant Program	16.579	05JAG-A17	<u>41,929</u>
Department of Transportation:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	6-04-STPU-3U	<u>4,479</u>
Total Indirect			<u>222,379</u>
Total			<u>\$ 880,209</u>

See Accompanying Independent Auditor's Report

City of Maquoketa

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

NOTE 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Maquoketa, Iowa, and is presented in conformity with another comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

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

We have audited the accompanying financial statements of the governmental activities, 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, 2007, which collectively comprises the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Maquoketa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, and not for the purpose of expressing our opinion on the effectiveness of the City of Maquoketa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Maquoketa's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters 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, 2007, 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.

The City of Maquoketa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Maquoketa's responses and, accordingly, we express no opinion on them.

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 including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

Honkamp Krueger & Co.

Dubuque, Iowa
October 17, 2007



Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Maquoketa, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. The City of Maquoketa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal programs is the responsibility of the City of Maquoketa's management. Our responsibility is to express an opinion on the City of Maquoketa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Maquoketa's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Maquoketa's compliance with those requirements.

In our opinion, the City of Maquoketa complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Maquoketa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Maquoketa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Maquoketa's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item III-A-07 to be a material weakness.

The City of Maquoketa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Honkamp Krueger & Co.

Dubuque, Iowa
October 17, 2007

City of Maquoketa

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Part I. Summary of the Independent Auditors' Results

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major program was CFDA Number 20.106 – Airport Improvement Program.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Maquoketa did not qualify as a low-risk auditee.

Part II. Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Significant Deficiencies:

II-A-07 **Segregation of Duties**: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one employee has the ability to enter cash receipts, collect cash, make deposits, make entries to the general ledger, and sign checks.

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 would like to provide the recommended level of financial oversight, but are unable to do so. Like many cities our size, the economics of our situation prohibits us from hiring more office staff to provide for this function.

Conclusion: Response acknowledged.

II-B-07 **Records of Accounts**: The Police Department (DARE) maintains the accounting records pertaining to the operation of the Police Department (DARE). These transactions and the resulting balances are not recorded in the Clerk's records. 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 Clerk's records.

Response: We will adjust our financial statements to include this information. The financial activity and balances of the Police Department (DARE) will be included in the City Clerk's records in the future.

Conclusion: Response acknowledged.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Part III. Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 20.106: Airport Improvement Program
Pass-through Agency Number: FAA AIP No. 3-19-0055-02

Department of Transportation

III-A-07 **Segregation of Duties over Federal Receipts**: A lack of segregation of duties over receipts and disbursements, including those related to federal programs, exist in the City's finance department. See audit finding II-A-07.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting

IV-A-07 **Certified Budget:** Disbursements did not exceed budget for the year ended June 30, 2007, which is in compliance with Chapter 384.20 of the Code of Iowa.

IV-B-07 **Questionable Disbursements:** We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 **Travel Expense:** No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 **Business Transactions:** Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom Messerli, Mayor Owner of A-1 Electronics	Repairs	\$ 393
Tim Clark, Council Member Part Owner of Clark Saw Center	Supplies	337
Paul Hahle, Council Member Owner of The Old Lumberyard and Pro Services	Repairs and Supplies	1,413

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

IV-E-07 **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.

IV-F-07 **Council Minutes:** No transactions were found that we believe should have been approved in the Council minutes, but were not.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

IV-G-07 **Deposits and Investments:** The City held a certificate of deposit (Library Corporation) at a depository not authorized by the Council.

Recommendation: The City should only deposit funds in allowable depositories.

Response: We will review and revise our policies and deposit only in allowable depositories.

Conclusion: Response accepted.

IV-H-07 **Revenue Bonds:** We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

IV-I-07 **Payment of General Obligation Bonds:** All general obligation bond and note payments were paid from the Debt Service Fund in accordance with Chapter 384.4 of the Code of Iowa.

IV-J-07 **Financial Condition:** The Urban Renewal Tax Increment, Local Option Sales Tax, Employee Benefits, Jackson County Task Force, Storm Water, and Debt Service had deficit balances at June 30, 2007 totaling \$701,086.

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

Response: The City will receive grant money, donations, and transfer funds to eliminate these fund balances.

Conclusion: Response accepted.

City of Maquoketa
Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2007

Finding III-A-06. 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

City of Maquoketa
Corrective Action Plan for Federal Audit Findings
For the Year Ended June 30, 2007

Finding III-A-07. 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.