

**City of Maquoketa**

**Financial Report**

**June 30, 2008**

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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, 2010
Matt Winegar	Council Member	January 1, 2012
Neil Morehead	Council Member	January 1, 2012
Marsha Myers	Council Member	January 1, 2012
Margo Shouse	Council Member	January 1, 2012
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, 2008, 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, 2008, and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

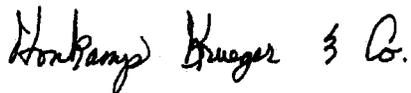
In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2009, on our consideration of the City of Maquoketa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 24 through 25 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, 2007 (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. P.C.**



Dubuque, Iowa  
March 3, 2009

**City of Maquoketa**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2008**

		Program Receipts		
Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
<b>Functions / Programs:</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 2,286,211	\$ 3,690	\$ 593,559	\$ -
Public Works	2,439,121	102,995	528,768	-
Culture and Recreation	1,366,838	507,286	24,012	-
Community and Economic Development	168,728	48	-	-
General Government	754,970	275,783	119,551	-
Debt Service	999,929	-	-	-
Capital Projects	2,126,877	-	15,000	265,851
Total Governmental Activities	10,142,674	889,802	1,280,890	265,851
Business Type Activities:				
Water Utility	478,778	682,290	-	-
Wastewater Treatment	962,721	896,347	-	-
Stormwater	1,721	123,849	-	-
Total Business Type Activities	1,443,220	1,702,486	-	-
<b>Total Primary Government</b>	<b>\$ 11,585,894</b>	<b>\$ 2,592,288</b>	<b>\$ 1,280,890</b>	<b>\$ 265,851</b>
<b>Component Unit:</b>				
Maquoketa Municipal Electric Utility	\$ 8,189,057	\$ 7,468,094	\$ -	\$ -
<b>General Receipts:</b>				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Assets				

**Exhibit A**

Net (Disbursements) Receipts and Change in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (1,688,962)	\$ -	\$ (1,688,962)	\$ -
(1,807,358)	-	(1,807,358)	-
(835,540)	-	(835,540)	-
(168,680)	-	(168,680)	-
(359,636)	-	(359,636)	-
(999,929)	-	(999,929)	-
(1,846,026)	-	(1,846,026)	-
<u>(7,706,131)</u>	<u>-</u>	<u>(7,706,131)</u>	<u>-</u>
-	203,512	203,512	-
-	(66,374)	(66,374)	-
-	122,128	122,128	-
-	259,266	259,266	-
<u>(7,706,131)</u>	<u>259,266</u>	<u>(7,446,865)</u>	<u>-</u>
-	-	-	<u>(720,963)</u>
1,067,625	-	1,067,625	-
67,855	-	67,855	-
399,079	-	399,079	-
557,245	-	557,245	-
440,512	-	440,512	-
53,411	-	53,411	-
11,837	-	11,837	-
204,735	-	204,735	-
61,019	33,803	94,822	205,018
1,600,000	-	1,600,000	-
613,010	8,205	621,215	153,203
13,223	-	13,223	-
-	-	-	-
862,347	(862,347)	-	-
<u>5,951,898</u>	<u>(820,339)</u>	<u>5,131,559</u>	<u>358,221</u>
(1,754,233)	(561,073)	(2,315,306)	(362,742)
<u>5,642,659</u>	<u>2,076,222</u>	<u>7,718,881</u>	<u>4,660,171</u>
<u>\$ 3,888,426</u>	<u>\$ 1,515,149</u>	<u>\$ 5,403,575</u>	<u>\$ 4,297,429</u>
\$ (410,310)	\$ -	\$ (410,310)	\$ -
(127,363)	-	(127,363)	-
(6,847)	279,691	272,844	-
606,985	-	606,985	-
<u>3,825,961</u>	<u>1,235,458</u>	<u>5,061,419</u>	<u>4,297,429</u>
<u>\$ 3,888,426</u>	<u>\$ 1,515,149</u>	<u>\$ 5,403,575</u>	<u>\$ 4,297,429</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, 2008**

	General *	Special Revenue
	Road Use Tax	
<b>Receipts:</b>		
Property Tax	\$ 1,188,891	\$ -
Tax Increment Financing Collections	-	-
Other City Tax	204,735	-
Licenses and Permits	11,836	-
Use of Money and Property	282,280	9,756
Intergovernmental	356,433	523,868
Charges for Service	615,265	-
Miscellaneous	929,823	-
Total Receipts	3,589,263	533,624
<b>Disbursements:</b>		
Operating:		
Public Safety	2,134,208	-
Public Works	1,010,097	1,282,396
Culture and Recreation	1,281,353	-
Community and Economic Development	56,013	-
General Government	696,597	-
Debt Service	-	-
Capital Projects	-	-
Total Disbursements	5,178,268	1,282,396
Excess (Deficiency) of Receipts over (under) Disbursements	(1,589,005)	(748,772)
<b>Other Financing Sources (Uses)</b>		
Sale of Capital Assets	13,224	-
Bond Proceeds	1,600,000	-
Operating Transfers In	611,840	398,222
Operating Transfers Out	(160,034)	(472,384)
Total Other Financing Sources (Uses)	2,065,030	(74,162)
Net Change in Cash Balances	476,025	(822,934)
Cash Balances, Beginning of Year	3,162,761	412,624
Cash Balances, End of Year	\$ 3,638,786	\$ (410,310)
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General Fund	3,638,786	-
Special Revenue Funds	-	(410,310)
Capital Project Funds	-	-
Total Cash Basis Fund Balances	\$ 3,638,786	\$ (410,310)

\* See Note 15 for a breakdown of individual funds comprising the General Fund

**Exhibit B**

Capital Projects		Debt Service	Other Nonmajor Governmental Funds	Total
General	ARC			
\$ -	\$ -	\$ -	\$ 399,079	\$ 1,587,970
-	-	-	557,245	557,245
-	-	-	440,512	645,247
-	-	-	-	11,836
22,359	3,116	-	4,751	322,262
-	145,774	-	142,052	1,168,127
-	-	-	-	615,265
-	10,367	-	4,753	944,943
<u>22,359</u>	<u>159,257</u>	<u>-</u>	<u>1,548,392</u>	<u>5,852,895</u>
-	-	-	56,549	2,190,757
-	-	-	44,790	2,337,283
-	-	-	28,417	1,309,770
-	-	-	105,670	161,683
-	-	-	26,851	723,448
-	-	999,929	-	999,929
488,541	1,627,210	-	11,126	2,126,877
<u>488,541</u>	<u>1,627,210</u>	<u>999,929</u>	<u>273,403</u>	<u>9,849,747</u>
<u>(466,182)</u>	<u>(1,467,953)</u>	<u>(999,929)</u>	<u>1,274,989</u>	<u>(3,996,852)</u>
-	-	-	-	13,224
-	-	-	-	1,600,000
417,996	-	1,026,467	19,562	2,474,087
-	(100,000)	-	(1,099,324)	(1,831,742)
<u>417,996</u>	<u>(100,000)</u>	<u>1,026,467</u>	<u>(1,079,762)</u>	<u>2,255,569</u>
(48,186)	(1,567,953)	26,538	195,227	(1,741,283)
1,345,455	597,285	(33,385)	(42,206)	5,442,534
<u>\$ 1,297,269</u>	<u>\$ (970,668)</u>	<u>\$ (6,847)</u>	<u>\$ 153,021</u>	<u>\$ 3,701,251</u>
\$ -	\$ -	\$ (6,847)	\$ -	\$ (6,847)
-	-	-	-	3,638,786
-	(970,668)	-	38,304	(1,342,674)
1,297,269	-	-	114,717	1,411,986
<u>\$ 1,297,269</u>	<u>\$ (970,668)</u>	<u>\$ (6,847)</u>	<u>\$ 153,021</u>	<u>\$ 3,701,251</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, 2008**

**Total Governmental Funds Cash Balance (page 5)** \$ 3,701,251

***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.

187,175

**Cash Basis Net Assets of Governmental Activities (page 4)** \$ 3,888,426

**Net Change in Cash Balances (page 5)** \$ (1,741,283)

***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.

(12,950)

**Change in Cash Balance of Governmental Activities (page 4)** \$ (1,754,233)

**City of Maquoketa**  
**Statement of Cash Receipts, Disbursements, and Changes in**  
**Cash Balances - Proprietary Funds**  
**As of and for the Year Ended June 30, 2008**

	Enterprise Funds	
	Water Utility	Wastewater Treatment
<b>Operating Receipts:</b>		
Use of Money and Property	\$ 17,821	\$ 15,982
Charges for Service	682,290	896,347
Miscellaneous	-	-
Total Operating Receipts	<u>700,111</u>	<u>912,329</u>
<b>Operating Disbursements:</b>		
Governmental Activities:		
Public Safety	-	-
Public Works	-	-
Culture and Recreation	-	-
Community and Economic Development	-	-
General Government	-	-
Business Type Activities	<u>478,778</u>	<u>962,721</u>
Total Operating Disbursements	<u>478,778</u>	<u>962,721</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>221,333</u>	<u>(50,392)</u>
<b>Non-Operating Receipts (Disbursements):</b>		
Intergovernmental	-	-
Miscellaneous	8,205	-
General Obligation Bond Proceeds	-	-
Total Non-Operating Receipts (Disbursements)	<u>8,205</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>229,538</u>	<u>(50,392)</u>
<b>Other Financing Sources (Uses)</b>		
Interfund Loans	-	-
Operating Transfers In	-	110,128
Operating Transfers Out	<u>(511,371)</u>	<u>(339,921)</u>
Total Other Financing Sources (Uses)	<u>(511,371)</u>	<u>(229,793)</u>
Net Change in Cash Balances	(281,833)	(280,185)
Cash Balances Beginning of Year	<u>1,095,453</u>	<u>1,291,495</u>
Cash Balances End of Year	<u>\$ 813,620</u>	<u>\$ 1,011,310</u>
<b>Cash Basis Fund Balances</b>		
Reserved for Debt Service	\$ -	\$ 279,691
Unreserved	<u>813,620</u>	<u>731,619</u>
Total Cash Basis Fund Balance	<u>\$ 813,620</u>	<u>\$ 1,011,310</u>

## Exhibit D

Enterprise Funds		Internal Service Fund
Storm Water	Total	Employee Health
\$ -	\$ 33,803	\$ 799
123,849	1,702,486	39,176
-	-	20,000
123,849	1,736,289	59,975
-	-	95,454
-	-	101,838
-	-	57,068
-	-	7,045
-	-	31,522
1,721	1,443,220	-
1,721	1,443,220	292,927
122,128	293,069	(232,952)
-	-	-
-	8,205	-
-	-	-
-	8,205	-
122,128	301,274	(232,952)
-	-	-
-	110,128	220,002
(121,183)	(972,475)	-
(121,183)	(862,347)	220,002
945	(561,073)	(12,950)
(310,726)	2,076,222	200,125
\$ (309,781)	\$ 1,515,149	\$ 187,175
\$ -	\$ 279,691	\$ -
(309,781)	1,235,458	187,175
\$ (309,781)	\$ 1,515,149	\$ 187,175

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, 2008**

Total Enterprise Funds Cash Balance (page 7)	\$ 1,515,149
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*Amounts Reported for Business Type Activities in the  
Statement of Activities and Net Assets Are Different because:*

None

Cash Basis Net Assets of Business Type Activities (page 4)	\$ <u>1,515,149</u>
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Net Change in Cash Balances (page 7)	\$ (561,073)
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*Amounts Reported for Business Type Activities in the  
Statement of Activities and Net Assets Are Different because:*

None

Change in Cash Balance of Business Type Activities (page 4)	\$ <u>(561,073)</u>
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**City of Maquoketa**  
**Statement of Cash Receipts, Disbursements, and Changes**  
**in Cash Balances - Fiduciary Funds**  
**As of and for the Year Ended June 30, 2008**

	<u>Police Retirement System</u>
<b>Additions:</b>	
Contributions:	
Plan Members	\$ 42,776
Total Contributions	<u>42,776</u>
Investment Earnings:	
Net (Decrease) in Fair Value of Investments	(167,267)
Interest	125,291
Total Investment (Loss)	<u>(41,976)</u>
Total Additions	<u>800</u>
<b>Deductions:</b>	
Benefits	<u>162,157</u>
Total Deductions	<u>162,157</u>
<b>Other Financing Sources (Uses):</b>	
Interfund Loan	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Cash Balances	(161,357)
Cash Balances - Beginning of the Year	<u>651,775</u>
Cash Balances- End of the Year	<u><u>\$ 490,418</u></u>

# City of Maquoketa

## Notes to Financial Statements

### **NOTE 1. Nature of Organization and Significant Accounting Policies**

The City of Maquoketa (the "City") 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, and its 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 – Cash Basis 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 – Cash Basis 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 – Cash Basis 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.

The Storm Water Fund accounts for the operation and maintenance of the City's storm water 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, 2008, disbursements did not exceed the amounts budgeted.

# City of Maquoketa

## Notes to Financial Statements

### NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2008, 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 ensure 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, 2008, the City had the following investments, which are held in the Police Pension and Library Corporation funds:

Type	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$ 500,755	\$ 566,908	----
Stocks	585,307	519,339	----
Corporate Bonds:			
General Electric Cap. Corp.	25,000	24,877	5/9/2018
General Electric Cap Corp Internotes	10,000	9,766	5/15/2015
Bank Amer Corp Sub Internotes	39,116	38,451	3/15/2016
R-G Crown Bank CD Semi	14,000	14,020	8/19/2009
General Motors Accept Corp Smart Notes	75,000	72,598	11/15/2008
AT&T Corp	20,276	20,282	3/15/2009
Westernbank PR Mayaguez	60,000	59,931	1/20/2010
HSBC Fin Corp HSBC Fin Internotes	44,944	43,621	4/15/2011
FirstBank Finl Svcs Inc	25,000	24,145	9/26/2012
Merrill Lynch & Co Inc	20,173	18,883	2/5/2013
Principal Life Income Fundings	40,000	37,458	11/17/2014
JP Morgan Chase Cap XI	37,589	32,512	6/15/2033
PNC Capital Trust D	37,500	30,360	12/15/2033
John Hancock Life Insurance Co. Signature Notes	50,000	49,148	10/15/2028
U.S. Government Bonds:			
Federal Home Ln Bks Deb 6.00%	25,000	26,383	7/12/2016
Federal Home Ln Bks Deb 5.55%	50,000	49,813	6/22/2020
FHLM Corp. 4.00%	24,500	25,003	7/16/2018
FHLB 6.23%	10,000	10,272	6/29/2022
FHLB 6.00%	25,000	25,664	8/22/2022
Federal Home Ln Mtg Corp Mtnf 5.00%	14,848	15,003	8/15/2015
Federal Natl Mtg Assn Mtn Deb 5.00%	40,000	40,150	4/8/2019
FHLMC Remic 2854-EE	25,000	23,731	9/15/2034
GNMA Pool #493023 6.00%	2,901	2,994	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 \$376,740 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	
	Principal	Interest	Principal	Interest
2009	\$ 320,000	\$ 153,135	\$ 4,680	\$ 234
2010	285,000	141,015	----	----
2011	530,000	130,005	----	----
2012	505,000	110,460	----	----
2013	520,000	91,385	----	----
2014	515,000	71,350	----	----
2015	295,000	51,130	----	----
2016	125,000	38,937	----	----
2017	125,000	33,375	----	----
2018	125,000	27,813	----	----
2019	125,000	22,250	----	----
2020	125,000	16,688	----	----
2021	125,000	11,125	----	----
2022	125,000	5,563	----	----
2023	----	----	----	----
2024	----	----	----	----
2025	----	----	----	----
2026	----	----	----	----
	<u>\$ 3,845,000</u>	<u>\$ 904,231</u>	<u>\$ 4,680</u>	<u>\$ 234</u>

# City of Maquoketa

## Notes to Financial Statements

### NOTE 3. Bond and Notes Payable (Continued)

Year Ending June 30	Jet Fuel Tank Contract		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 4,250	\$ 3,751	\$ 2,000	\$ ----
2010	4,668	3,332	----	----
2011	5,127	2,873	----	----
2012	5,632	2,368	----	----
2013	6,186	1,814	----	----
2014	6,795	1,205	----	----
2015	8,384	536	----	----
2016	----	----	----	----
2017	----	----	----	----
2018	----	----	----	----
2019	----	----	----	----
2020	----	----	----	----
2021	----	----	----	----
2022	----	----	----	----
2023	----	----	----	----
2024	----	----	----	----
2025	----	----	----	----
2026	----	----	----	----
	<u>\$ 41,042</u>	<u>\$ 15,879</u>	<u>\$ 2,000</u>	<u>\$ ----</u>

Year Ending June 30	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 210,000	\$ 218,980	\$ 458,000	\$ 183,250	\$ 998,930	\$ 559,350
2010	220,000	209,045	478,000	164,450	987,668	517,842
2011	90,000	155,165	498,000	144,810	1,123,127	432,853
2012	95,000	151,250	519,000	124,315	1,124,632	388,393
2013	95,000	146,975	189,000	111,015	810,186	351,189
2014	100,000	142,605	194,000	105,270	815,795	320,430
2015	775,000	137,905	201,000	99,345	1,279,384	288,916
2016	760,000	96,690	206,000	93,240	1,091,000	228,867
2017	810,000	55,650	330,000	85,200	1,265,000	174,225
2018	200,000	11,100	340,000	75,150	665,000	114,063
2019	----	----	351,000	64,785	476,000	87,035
2020	----	----	360,000	54,120	485,000	70,808
2021	----	----	372,000	43,140	497,000	54,265
2022	----	----	383,000	31,815	508,000	37,378
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
	<u>\$ 3,355,000</u>	<u>\$ 1,325,365</u>	<u>\$ 5,689,687</u>	<u>\$ 1,421,710</u>	<u>\$ 12,937,409</u>	<u>\$ 3,667,419</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 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.
- 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.

# City of Maquoketa

## Notes to Financial Statements

### **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.

Most regular Plan members are required to contribute 3.9% of their annual salary, and the City is required to contribute 6.05% 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, 2008, 2007, and 2006, were \$51,753, \$48,702, and \$45,133, 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, Suite 201, 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, 2008, 2007, and 2006, were \$116,571, \$125,508, and \$122,058, 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, 2008, primarily relating to the General Fund, is as follows:

# City of Maquoketa

## Notes to Financial Statements

### NOTE 5. Compensated Absences (Continued)

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 62,704
Sick Leave	<u>59,751</u>
Total	<u>\$ 122,455</u>

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, 2008.

### NOTE 6. Interfund Transfers

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

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 153,493
	Local Option Tax	330,384
	Employee Benefits	34,657
	Enterprise:	
	Water Utility	47,423
	Wastewater Utility	<u>45,883</u>
		<u>\$ 611,840</u>
Special Revenue:		
Road Use Tax	Enterprise:	
	Water Utility	\$ 291,160
	Wastewater Utility	<u>107,062</u>
		<u>\$ 398,222</u>
Capital Projects:		
Airport (CIP)	General	<u>\$ 8,550</u>
Library (CIP)	General	<u>\$ 11,012</u>
General (CIP)	General	119,813
	Special Revenue:	
	Road Use Tax	<u>298,183</u>
		<u>\$ 417,996</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	\$ 20,708
	Urban Renewal Tax Increment	273,814
	Capital Projects:	
	Industrial Park	150,998
	ARC	100,000
	Enterprise:	
	Water Utility	172,788
	Wastewater Utility	186,976
	Storm Water	121,183
		<u>\$ 1,026,467</u>
Enterprise: Wastewater Utility	Special Revenue: Local Option Tax	<u>\$ 110,128</u>
Internal Service Fund: Employee Health	General	\$ 20,659
	Special Revenue: Employee Benefits	199,343
		<u>\$ 220,002</u>
TOTAL		<u>\$ 2,804,217</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 \$2,160 during the year ended June 30, 2008.

### 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.

# City of Maquoketa

## Notes to Financial Statements

### **NOTE 8. Risk Management (Continued)**

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, Road Use Tax, Local Option Sales Tax, Employee Benefits, Jackson County Task Force, Storm Water, ARC, and Debt Service funds had deficit fund balance amounts of \$127,363, \$410,310, \$140, \$22,379, \$11,288, \$309,781, \$970,668, and \$6,847, respectively, at June 30, 2008. 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 \$3,338,072. The unpaid contract balances as of June 30, 2008, totaled approximately \$753,847, 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, 2008, the City had signed agreements with property owners for an estimated cost of \$943. 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, 2008, was \$100,713.

The City's obligation under these agreements for the fiscal year 2009 will not exceed \$140,382.

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. 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 \$284 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.

# City of Maquoketa

## Notes to Financial Statements

### NOTE 15. General Fund Cash Balance

The June 30, 2008 ending cash balance (the balance carried at financial institutions, reconciled for deposits in transit and outstanding checks) for the General Fund was \$3,638,786, 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	\$ 1,423,688
YMCA Operating Acct.	002	77,713
Rehab	014	11,527
Insurance Reserve	019	175,161
Library	031	15,424
Library Corporation	032	2,086,230
Historic Preservation	067	4,916
Historic Preservation	069	3,484
Airport	660	(159,357)
	TOTAL	<u>\$ 3,638,786</u>

### NOTE 16. 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.

## **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, 2008**

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property Tax	\$ 1,587,970	\$ -	\$ -
Tax Increment Financing Collections	557,245	-	-
Other City Tax	645,247	-	-
Licenses and Permits	11,836	-	-
Use of Money and Property	322,262	34,602	799
Intergovernmental	1,168,127	-	-
Charges for Service	615,265	1,741,662	39,176
Miscellaneous	944,943	28,205	20,000
Total Receipts	<u>5,852,895</u>	<u>1,804,469</u>	<u>59,975</u>
<b>Disbursements:</b>			
Public Safety	2,190,757	95,454	95,454
Public Works	2,337,283	101,838	101,838
Culture and Recreation	1,309,770	57,068	57,068
Community and Economic Development	161,683	7,045	7,045
General Government	723,448	31,522	31,522
Debt Service	999,929	-	-
Capital Projects	2,126,877	-	-
Business Type Activities	-	1,443,220	-
Total Disbursements	<u>9,849,747</u>	<u>1,736,147</u>	<u>292,927</u>
Excess (Deficiency) of Receipts over (under) Disbursements	(3,996,852)	68,322	(232,952)
Other Financing Sources, Net	<u>2,255,569</u>	<u>(642,345)</u>	<u>220,002</u>
Excess (Deficiency) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	(1,741,283)	(574,023)	(12,950)
Balances, Beginning of Year	<u>5,442,534</u>	<u>2,276,347</u>	<u>177,531</u>
Balances, End of Year	<u>\$ 3,701,251</u>	<u>\$ 1,702,324</u>	<u>\$ 164,581</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,587,970	\$ 1,519,743	\$ 1,519,743	\$ 68,227
557,245	649,409	649,409	(92,164)
645,247	483,331	495,331	149,916
11,836	12,000	12,000	(164)
356,065	87,320	310,820	45,245
1,168,127	1,259,058	2,431,058	(1,262,931)
2,317,751	1,821,945	2,224,445	93,306
953,148	326,558	789,848	163,300
<u>7,597,389</u>	<u>6,159,364</u>	<u>8,432,654</u>	<u>(835,265)</u>
2,190,757	977,688	2,666,688	475,931
2,337,283	887,266	2,847,066	509,783
1,309,770	622,079	1,387,179	77,409
161,683	440,321	672,521	510,838
723,448	410,985	771,985	48,537
999,929	982,648	1,042,648	42,719
2,126,877	1,455,905	2,848,905	722,028
1,443,220	1,570,132	2,043,432	600,212
<u>11,292,967</u>	<u>7,347,024</u>	<u>14,280,424</u>	<u>2,987,457</u>
(3,695,578)	(1,187,660)	(5,847,770)	2,152,192
<u>1,393,222</u>	<u>-</u>	<u>1,615,580</u>	<u>(222,358)</u>
(2,302,356)	(1,187,660)	(4,232,190)	1,929,834
<u>7,541,350</u>	<u>4,698,509</u>	<u>7,718,881</u>	<u>(177,531)</u>
<u>\$ 5,238,994</u>	<u>\$ 3,510,849</u>	<u>\$ 3,486,691</u>	<u>\$ 1,752,303</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 \$2,273,290 and increased budgeted disbursements by \$6,933,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

## **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, 2008**

	Special Revenue		
	GREAT	Bi-Centennial	Economic Development Revolving
<b>Receipts:</b>			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Use of Money and Property	-	-	3,195
Intergovernmental	-	-	-
Miscellaneous	10	98	-
Total Receipts	<u>10</u>	<u>98</u>	<u>3,195</u>
<b>Disbursements:</b>			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>10</u>	<u>98</u>	<u>3,195</u>
<b>Other Financing Sources (Uses):</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	10	98	3,195
Cash Balances, Beginning of Year	<u>273</u>	<u>1,361</u>	<u>183,076</u>
Cash Balances, End of Year	<u>\$ 283</u>	<u>\$ 1,459</u>	<u>\$ 186,271</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special Revenue Funds	\$ 283	\$ 1,459	\$ 186,271
Capital Project Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Basis Fund Balance	<u>\$ 283</u>	<u>\$ 1,459</u>	<u>\$ 186,271</u>

Schedule 1

Urban Renewal Tax Increment	Housing Assistance Program	Employee Benefits	Police Forfeiture	Local Option Sales Tax	Jackson County Task Force
\$ -	\$ -	\$ 399,079	\$ -	\$ -	\$ -
557,245	-	-	-	-	-
-	-	-	-	440,512	-
-	-	-	19	-	-
-	-	-	-	-	6,975
-	-	-	3,313	-	-
<u>557,245</u>	<u>-</u>	<u>399,079</u>	<u>3,332</u>	<u>440,512</u>	<u>6,975</u>
-	-	51,640	1,427	-	3,482
-	-	44,790	-	-	-
-	-	28,417	-	-	-
105,280	390	-	-	-	-
-	-	26,071	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>105,280</u>	<u>390</u>	<u>150,918</u>	<u>1,427</u>	<u>-</u>	<u>3,482</u>
<u>451,965</u>	<u>(390)</u>	<u>248,161</u>	<u>1,905</u>	<u>440,512</u>	<u>3,493</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(273,814)</u>	<u>-</u>	<u>(234,000)</u>	<u>-</u>	<u>(440,512)</u>	<u>-</u>
<u>(273,814)</u>	<u>-</u>	<u>(234,000)</u>	<u>-</u>	<u>(440,512)</u>	<u>-</u>
178,151	(390)	14,161	1,905	-	3,493
<u>(305,514)</u>	<u>1,774</u>	<u>(36,540)</u>	<u>7,620</u>	<u>(140)</u>	<u>(14,781)</u>
<u>\$ (127,363)</u>	<u>\$ 1,384</u>	<u>\$ (22,379)</u>	<u>\$ 9,525</u>	<u>\$ (140)</u>	<u>\$ (11,288)</u>
(127,363)	\$ 1,384	\$ (22,379)	\$ 9,525	\$ (140)	\$ (11,288)
-	-	-	-	-	-
<u>\$ (127,363)</u>	<u>\$ 1,384</u>	<u>\$ (22,379)</u>	<u>\$ 9,525</u>	<u>\$ (140)</u>	<u>\$ (11,288)</u>

**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, 2008**

	Special Revenue	Capital Projects			Total
	Hooked on Fishing	Industrial Park	Library	Airport	
<b>Receipts:</b>					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 399,079
Tax Increment Financing Collections	-	-	-	-	557,245
Other City Tax	-	-	-	-	440,512
Use of Money and Property	-	-	-	1,537	4,751
Intergovernmental	-	135,077	-	-	142,052
Miscellaneous	1,332	-	-	-	4,753
<b>Total Receipts</b>	<b>1,332</b>	<b>135,077</b>	<b>-</b>	<b>1,537</b>	<b>1,548,392</b>
<b>Disbursements:</b>					
Operating:					
Public Safety	-	-	-	-	56,549
Public Works	-	-	-	-	44,790
Culture and Recreation	-	-	-	-	28,417
Community and Economic Development	-	-	-	-	105,670
General Government	780	-	-	-	26,851
Debt Service	-	-	-	-	-
Capital Projects	-	114	11,012	-	11,126
<b>Total Disbursements</b>	<b>780</b>	<b>114</b>	<b>11,012</b>	<b>-</b>	<b>273,403</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	552	134,963	(11,012)	1,537	1,274,989
<b>Other Financing Sources (Uses):</b>					
Bond Proceeds	-	-	-	-	-
Operating Transfers In	-	-	11,012	8,550	19,562
Operating Transfers Out	-	(150,998)	-	-	(1,099,324)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(150,998)</b>	<b>11,012</b>	<b>8,550</b>	<b>(1,079,762)</b>
Net Change in Cash Balances	552	(16,035)	-	10,087	195,227
Cash Balances, Beginning of Year	-	36,735	31	83,899	(42,206)
Cash Balances, End of Year	<u>\$ 552</u>	<u>\$ 20,700</u>	<u>\$ 31</u>	<u>\$ 93,986</u>	<u>\$ 153,021</u>
<b>Cash Basis Fund Balances:</b>					
Unreserved:					
Special Revenue Funds	\$ 552	\$ -	\$ -	\$ -	\$ 38,304
Capital Project Fund	-	20,700	31	93,986	114,717
<b>Total Cash Basis Fund Balance</b>	<u>\$ 552</u>	<u>\$ 20,700</u>	<u>\$ 31</u>	<u>\$ 93,986</u>	<u>\$ 153,021</u>

**City of Maquoketa  
Schedule of Indebtedness  
Year Ended June 30, 2008**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General Obligation Notes:</b>			
2005A Refunding Capital Loan Notes	August 10, 2005	2.75% - 3.90%	\$ 2,095,000
Capital Loan Notes	August 1, 2007	4.45%	1,600,000
2006A Capital Loan Notes	March 1, 2006	3.55% - 4.00%	515,000
Total			<u>\$ 4,210,000</u>
<b>Revenue Bonds:</b>			
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>
<b>General Obligation Notes:</b>			
Corporate Purpose	February 1, 1996	4.30% - 5.60%	\$ 2,200,000
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>\$ 6,880,000</u>
<b>Revenue Notes:</b>			
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>
Jet Fuel Tank Contract	July 1, 2007	9.50%	<u>\$ 45,789</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
\$ 2,005,000	\$ -	\$ 25,000	\$ 1,980,000	\$ 285	\$ -
-	1,600,000	-	1,600,000	59,333	-
395,000	-	130,000	265,000	14,510	-
<u>\$ 2,400,000</u>	<u>\$ 1,600,000</u>	<u>\$ 155,000</u>	<u>\$ 3,845,000</u>	<u>\$ 74,128</u>	<u>\$ -</u>
\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -
325,000	-	325,000	-	8,175	-
<u>\$ 327,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 2,000</u>	<u>\$ 8,175</u>	<u>\$ -</u>
\$ 385,000	\$ -	\$ 120,000	\$ 265,000	\$ 66,576	\$ -
2,500,000	-	-	2,500,000	135,745	-
670,000	-	80,000	590,000	29,310	-
40,000	-	40,000	-	66,177	-
<u>\$ 3,595,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 3,355,000</u>	<u>\$ 297,808</u>	<u>\$ -</u>
\$ 2,195,687	\$ -	\$ 67,000	\$ 2,128,687	\$ 64,866	\$ -
2,407,000	-	96,000	2,311,000	70,766	-
1,250,000	-	-	1,250,000	57,660	-
<u>\$ 5,852,687</u>	<u>\$ -</u>	<u>\$ 163,000</u>	<u>\$ 5,689,687</u>	<u>\$ 193,292</u>	<u>\$ -</u>
<u>\$ 45,789</u>	<u>\$ -</u>	<u>\$ 4,747</u>	<u>\$ 41,042</u>	<u>\$ 4,149</u>	<u>\$ -</u>
<u>\$ 9,360</u>	<u>\$ -</u>	<u>\$ 4,680</u>	<u>\$ 4,680</u>	<u>\$ 468</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report

**City of Maquoketa**  
**Schedule of Bond and Note Maturities**  
**Year Ended June 30, 2008**

Year Ending June 30,	General Obligation Notes						Total
	2005A Refunding CLN		2006A CLN		CLN		
	Issued August 10, 2005		Issued March 1, 2006		Issued August 1, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	3.25%	90,000	3.65%	130,000	4.45%	100,000	\$ 320,000
2010	3.40%	95,000	3.70%	90,000	4.45%	100,000	285,000
2011	3.50%	415,000	3.80%	15,000	4.45%	100,000	530,000
2012	3.60%	390,000	3.90%	15,000	4.45%	100,000	505,000
2013	3.70%	405,000	4.00%	15,000	4.45%	100,000	520,000
2014	3.80%	415,000	-	-	4.45%	100,000	515,000
2015	3.90%	170,000	-	-	4.45%	125,000	295,000
2016	-	-	-	-	4.45%	125,000	125,000
2017	-	-	-	-	4.45%	125,000	125,000
2018	-	-	-	-	4.45%	125,000	125,000
2019	-	-	-	-	4.45%	125,000	125,000
2020	-	-	-	-	4.45%	125,000	125,000
2021	-	-	-	-	4.45%	125,000	125,000
2022	-	-	-	-	4.45%	125,000	125,000
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-
Total		<u>\$ 1,980,000</u>		<u>\$ 265,000</u>		<u>\$ 1,600,000</u>	<u>\$ 3,845,000</u>

Year Ending June 30,	Revenue Notes						Total
	Sewer		Water		Enterprise		
	Issued May 3, 2002		Issued June 13, 2005		Issued May 30, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	3.00%	69,000	3.00%	99,000	4.60%	290,000	458,000
2010	3.00%	71,000	3.00%	102,000	4.60%	305,000	478,000
2011	3.00%	73,000	3.00%	105,000	4.60%	320,000	498,000
2012	3.00%	76,000	3.00%	108,000	4.60%	335,000	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	-	-	-	154,000	-	-	154,000
2025	-	-	-	158,000	-	-	158,000
2026	-	-	-	163,000	-	-	163,000
Total		<u>\$ 2,128,687</u>		<u>\$ 2,311,000</u>		<u>\$ 1,250,000</u>	<u>\$ 5,689,687</u>

Year Ending June 30,	Revenue Bond Parking Lot Issued December 1, 1967		Jet Fuel Tank Contract Issued July 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2009	3.50%	2,000	9.50%	4,250
2010		-	9.50%	4,668
2011		-	9.50%	5,127
2012		-	9.50%	5,632
2013		-	9.50%	6,186
2014		-	9.50%	6,795
2015		-	9.50%	8,384
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
2025		-		-
2026		-		-
Total		\$ 2,000		\$ 41,042

Year Ending June 30,	Real Estate Contract Issued December 22, 2003	
	Interest Rates	Amount
2009	5.00%	4,680
2010		-
2011		-
2012		-
2013		-
2014		-
2015		-
2016		-
2017		-
2018		-
2019		-
2020		-
2021		-
2022		-
2023		-
2024		-
2025		-
2026		-
Total		\$ 4,680

**City of Maquoketa**  
**Schedule of Bond and Note Maturities (Continued)**  
**Year Ended June 30, 2008**

Year Ending June 30,	General Obligation Notes						
	Corporate Purpose Issued October 1, 2002		Corporate Purpose Issued February 1, 1996		Corporate Purpose Issued June 1, 2001		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	4.05%	80,000	5.15%	130,000		-	\$ 210,000
2010	4.20%	85,000	5.30%	135,000		-	220,000
2011	4.35%	90,000		-		-	90,000
2012	4.50%	95,000		-		-	95,000
2013	4.60%	95,000		-		-	95,000
2014	4.70%	100,000		-		-	100,000
2015	4.80%	45,000		-	5.35%	730,000	775,000
2016		-		-	5.40%	760,000	760,000
2017		-		-	5.50%	810,000	810,000
2018		-		-	5.55%	200,000	200,000
2019		-		-		-	-
2020		-		-		-	-
2021		-		-		-	-
2022		-		-		-	-
2023		-		-		-	-
2024		-		-		-	-
2025		-		-		-	-
2026		-		-		-	-
Total		<u>\$ 590,000</u>		<u>\$ 265,000</u>		<u>\$ 2,500,000</u>	<u>\$ 3,355,000</u>

Year Ending June 30,	Total Maturities
2009	\$ 998,930
2010	987,668
2011	1,123,127
2012	1,124,632
2013	810,186
2014	815,795
2015	1,279,384
2016	1,091,000
2017	1,265,000
2018	665,000
2019	476,000
2020	485,000
2021	497,000
2022	508,000
2023	335,687
2024	154,000
2025	158,000
2026	163,000
Total	<u>\$ 12,937,409</u>

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Receipts:</b>				
Property Tax	\$ 1,587,970	\$ 1,561,520	\$ 1,363,341	\$ 1,387,111
Tax Increment Financing Collections	557,245	537,118	394,665	397,422
Other City Tax	645,247	630,453	448,731	493,801
Licenses and Permits	11,836	12,715	11,440	12,392
Use of Money and Property	322,262	253,697	98,006	188,252
Intergovernmental	1,168,127	2,316,568	1,127,836	1,541,942
Charges for Services	615,265	192,288	180,297	173,511
Miscellaneous	944,943	2,034,139	851,524	489,140
Total	<u>\$ 5,852,895</u>	<u>\$ 7,538,498</u>	<u>\$ 4,475,840</u>	<u>\$ 4,683,571</u>
<b>Disbursements:</b>				
Operating:				
Public Safety	\$ 2,190,757	\$ 1,069,364	\$ 880,321	\$ 1,127,686
Public Works	2,337,283	1,423,881	827,605	704,339
Culture and Recreation	1,309,770	495,333	534,748	518,365
Community and Economic Development	161,683	408,563	324,020	487,139
General Government	723,448	408,756	608,647	420,332
Debt Service	999,929	936,785	661,767	609,193
Capital Projects	2,126,877	4,596,185	258,254	317,252
Total	<u>\$ 9,849,747</u>	<u>\$ 9,338,867</u>	<u>\$ 4,095,362</u>	<u>\$ 4,184,306</u>

**City of Maquoketa**  
**Additional Information Required by the**  
**Sewer Revenue Bond Resolution**  
**June 30, 2008**  
**(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 Policy #8X5-19-34-07	Property Inland Marine General Liability Business Auto Umbrella Excess Employee Dishonesty Linebacker Crime Commercial Output	\$ 32,828,236 935,687 1,000,000 1,000,000 4,000,000 310,000 1,000,000 30,000 30,298,924	4/1/2009 4/1/2009 4/1/2009 4/1/2009 4/1/2009 4/1/2009 4/1/2009 4/1/2009 4/1/2009
Travelers Group Hartford, Connecticut Policy # BAJ-BM21-702X7309-TIL-07	Sewage & Water Treatment & Distribution	\$ 2,000,000	1/1/2009
Old Republic Insurance Company Greensburg, Pennsylvania Policy # PR 227803	Operator's General Operators General Liability	\$ 2,000,000	1/1/2009
Nationwide Bethesda, Maryland Policy #5050326247, #5050326239, #5050326254	Flood Insurance Program	\$ 234,100	4/4/2009
VFIS A Division of Glatfelter Insurance Group York, Pennsylvania Policy #VFP 2316-0204C-07	Maquoketa Volunteer Fire Dept. & Rescue Squad	\$ 825,800	1/1/2009
Iowa Municipalities Workers' Compensation Assoc. Des Moines, Iowa Policy #1075-0607	Workers' Compensation Coverage	\$ 2,000,000	7/1/2009

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, 2008**

<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 #3-19-0055-04	\$ 13,789
Airport Improvement Program	20.106	AIP #3-19-0055-02	180,820
Total Direct			<u>194,609</u>
Indirect:			
Department of Justice:			
Office of Drug Control Policy:			
Edward Bryne Justice Assistance Grant Program	16.579	05JAG-A17	<u>3,482</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	6-04-STPU-3U	667,521
Incentive Grant for Use of Seat Belts	20.604	PAP 07-157, Task 116	3,506
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	PAP 07-163, Task 51	3,505
Incentive Grant for Use of Seat Belts	20.604	PAP 08-157, Task 114	3,000
Total Department of Transportation			<u>677,532</u>
Total Indirect			<u>681,014</u>
Total			<u>\$ 875,623</u>

See Accompanying Independent Auditor's Report

## City of Maquoketa

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

#### **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, 2008, which collectively comprises the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2009. Our report expressed unqualified opinions 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 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency, including a deficiency we consider to be a material weakness.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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, we believe item II-A-08 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, 2008, 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., P.C.**

*Honkamp Krueger & Co.*

Dubuque, Iowa  
March 3, 2009



**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 program for the year ended June 30, 2008. The City of Maquoketa's major federal program is 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 program 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, 2008.

## **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 a deficiency in internal control over compliance that we consider to be a significant deficiency.

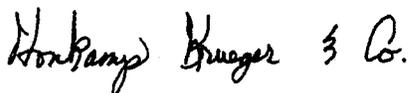
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 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-08 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 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.

**HONKAMP KRUEGER & CO., P.C.**



Dubuque, Iowa  
March 3, 2009

## City of Maquoketa

### Schedule of Findings and Questioned Costs Year Ended June 30, 2008

#### 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. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- 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 20.205 – Highway Planning and Construction.
- 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, 2008

#### Significant Deficiency:

II-A-08     **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.

# City of Maquoketa

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### 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 Numbers:	FAA AIP No. 3-19-0055-02
	FAA AIP No. 3-19-0055-04

Department of Transportation

III-A-08 **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-08.

# City of Maquoketa

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Part IV: Other Findings Related to Statutory Reporting

IV-A-08 **Certified Budget**: Disbursements did not exceed budget for the year ended June 30, 2008, which is in compliance with Chapter 384.20 of the Code of Iowa.

IV-B-08 **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-08 **Travel Expense**: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 **Business Transactions**: Business transactions between the City and City officials or employees are detailed as follows:

<b><u>Name, Title, and Business Connection</u></b>	<b><u>Transaction Description</u></b>	<b><u>Amount</u></b>
Tom Messerli, Mayor Owner of A-1 Electronics	Repairs	\$ 190
Tim Clark, Council Member Part Owner of Clark Saw Center	Supplies	276
Matt Winegar, Council Member Employee of Winegar Plumbing & Heating	Repairs and Supplies	1,694

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

IV-E-08 **Bond Coverage**: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 **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, 2008

IV-G-08 **Deposits and Investments:** We noted no instances of deposits in other than allowable depositories.

IV-H-08 **Revenue Bonds:** We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

IV-I-08 **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-08 **Financial Condition:** The Urban Renewal Tax Increment, Road Use Tax, Local Option Sales Tax, Employee Benefits, Jackson County Task Force, Storm Water, ARC, and Debt Service had deficit balances at June 30, 2008 totaling \$1,858,776.

**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**  
**Corrective Action Plan for Federal Audit Findings**  
**For the Year Ended June 30, 2008**

**Finding III-A-08. 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**  
**Summary Schedule of Prior Federal Audit Findings**  
**For the Year Ended June 30, 2008**

**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



To the City Council  
City of Maquoketa  
Maquoketa Iowa

We have audited the financial statements of City of Maquoketa (the "City") for the year ended June 30, 2008, and have issued our report thereon dated March 3, 2009. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 7, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Maquoketa's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Maquoketa's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Maquoketa's compliance with those requirements.

### **Review of Internal Control**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Maquoketa (the "City") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal

control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

### **Segregation of Duties**

A limited number of the City's 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.

### **Preparation of Financial Statements**

The City does not have an internal system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk with this condition because of cost or other considerations.

Of the significant deficiencies noted, we believe the lack of segregation of duties to be a material weakness.

### **Significant Audit Findings**

Management is responsible 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 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of bond and notes payable in Note 3 to the financial statements. Lending agencies tend to rely on the information for future debt issues.

#### **Difficulties Encountered in Performing the Audit**

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

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 11, 2009.

#### **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 principle 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.

**Other Audit Findings or Issues**

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.

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.

**HONKAMP KRUEGER & CO., P.C.**

*Honkamp Krueger & Co.*

Dubuque, Iowa  
March 3, 2009