

Financial Statements

City of Maquoketa

June 30, 2009

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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
Ed Turney	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, 2009, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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, 2009, 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 December 18, 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, 2008 (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, 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.

A handwritten signature in cursive script that reads "Honkamp Krueger & Co.".

Dubuque, Iowa
December 18, 2009

City of Maquoketa
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2009

		Program Receipts		
Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Functions / Programs:				
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,273,737	\$ 4,020	\$ 279,838	\$ 7,000
Public Works	1,184,561	102,605	515,369	10,145
Culture and Recreation	1,750,214	552,115	1,001,879	100,000
Community and Economic Development	545,513	19	104,005	-
General Government	479,161	343,312	205,860	-
Debt Service	2,346,690	-	-	-
Capital Projects	668,763	-	-	701,793
Total Governmental Activities	8,248,639	1,002,071	2,106,951	818,938
Business Type Activities:				
Water Utility	424,389	666,408	-	-
Wastewater Treatment	900,904	875,410	-	-
Stormwater	1,724	123,229	-	-
Total Business Type Activities	1,327,017	1,665,047	-	-
Total Primary Government	\$ 9,575,656	\$ 2,667,118	\$ 2,106,951	\$ 818,938
Component Unit:				
Maquoketa Municipal Electric Utility	\$ 8,872,217	\$ 7,461,263	\$ -	\$ -
General Receipts:				
Property Tax Levied for:				
General Purposes				
Insurance				
Employee Benefits				
Debt Service				
Tax Increment Financing				
Local Option Sales Tax				
Hotel/Motel Tax				
Licenses, Permits, and Franchise Fees				
Franchise Tax				
Unrestricted Interest on Investments				
Bond Proceeds				
Miscellaneous				
Sale of Assets				
Interfund Loans				
Transfers In (Out)				
Total General Receipts and Transfers				
Change in Cash Basis Net Assets				
Cash Basis Net Assets, Beginning of Year				
Cash Basis Net Assets, End of Year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Assets				

Exhibit A

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (982,879)	\$ -	\$ (982,879)	\$ -
(556,442)	-	(556,442)	-
(96,220)	-	(96,220)	-
(441,489)	-	(441,489)	-
70,011	-	70,011	-
(2,346,690)	-	(2,346,690)	-
33,030	-	33,030	-
<u>(4,320,679)</u>	<u>-</u>	<u>(4,320,679)</u>	<u>-</u>
-	242,019	242,019	-
-	(25,494)	(25,494)	-
-	121,505	121,505	-
-	<u>338,030</u>	<u>338,030</u>	-
<u>(4,320,679)</u>	<u>338,030</u>	<u>(3,982,649)</u>	<u>-</u>
-	-	-	(1,410,954)
1,249,751	-	1,249,751	-
54,841	-	54,841	-
431,326	-	431,326	-
162,558	-	162,558	-
526,248	-	526,248	-
443,854	-	443,854	-
73,613	-	73,613	-
11,456	-	11,456	-
209,122	-	209,122	-
31,949	91,185	123,134	120,509
-	-	-	1,807,940
642,588	(2,101)	640,487	213,085
19,352	-	19,352	-
-	-	-	-
475,455	(475,455)	-	-
<u>4,332,113</u>	<u>(386,371)</u>	<u>3,945,742</u>	<u>2,141,534</u>
11,434	(48,341)	(36,907)	730,580
3,888,426	1,515,149	5,403,575	4,297,429
<u>\$ 3,899,860</u>	<u>\$ 1,466,808</u>	<u>\$ 5,366,668</u>	<u>\$ 5,028,009</u>
\$ 215,435	\$ -	\$ 215,435	\$ -
(118,971)	-	(118,971)	-
45,436	279,691	325,127	-
434,622	-	434,622	-
3,323,338	1,187,117	4,510,455	5,028,009
<u>\$ 3,899,860</u>	<u>\$ 1,466,808</u>	<u>\$ 5,366,668</u>	<u>\$ 5,028,009</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, 2009

	General *	Special Revenue
	General *	Road Use Tax
Receipts:		
Property Tax	\$ 1,378,205	\$ -
Tax Increment Financing Collections	-	-
Other City Tax	209,122	-
Licenses and Permits	11,456	-
Use of Money and Property	303,403	2,970
Intergovernmental	488,244	1,089,844
Charges for Service	658,759	-
Miscellaneous	1,573,766	-
Total Receipts	4,622,955	1,092,814
Disbursements:		
Operating:		
Public Safety	1,108,256	-
Public Works	927,108	109,074
Culture and Recreation	1,575,170	-
Community and Economic Development	270,879	-
General Government	409,693	-
Debt Service	-	-
Capital Projects	-	-
Total Disbursements	4,291,106	109,074
Excess (Deficiency) of Receipts over (under) Disbursements	331,849	983,740
Other Financing Sources (Uses)		
Sale of Capital Assets	19,352	-
Bond Proceeds	-	-
Operating Transfers In	436,393	87,945
Operating Transfers Out	(1,234,954)	(445,940)
Total Other Financing Sources (Uses)	(779,209)	(357,995)
Net Change in Cash Balances	(447,360)	625,745
Cash Balances, Beginning of Year	3,638,786	(410,310)
Cash Balances, End of Year	\$ 3,191,426	\$ 215,435
Cash Basis Fund Balances		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General Fund	3,191,426	-
Special Revenue Funds	-	215,435
Capital Project Funds	-	-
Total Cash Basis Fund Balances	\$ 3,191,426	\$ 215,435

* 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			
\$ -	\$ -	\$ 162,558	\$ 431,326	\$ 1,972,089
-	-	-	526,248	526,248
-	-	-	443,854	652,976
-	-	-	-	11,456
13,333	534	-	2,986	323,226
100,000	-	-	119,289	1,797,377
-	-	-	-	658,759
-	448	-	93,853	1,668,067
<u>113,333</u>	<u>982</u>	<u>162,558</u>	<u>1,617,556</u>	<u>7,610,198</u>
-	-	-	57,564	1,165,820
-	-	-	48,018	1,084,200
-	-	-	26,758	1,601,928
-	-	-	228,416	499,295
-	-	-	28,871	438,564
-	-	2,346,690	-	2,346,690
661,667	4,005	-	3,091	668,763
<u>661,667</u>	<u>4,005</u>	<u>2,346,690</u>	<u>392,718</u>	<u>7,805,260</u>
<u>(548,334)</u>	<u>(3,023)</u>	<u>(2,184,132)</u>	<u>1,224,838</u>	<u>(195,062)</u>
-	-	-	-	19,352
-	-	-	-	-
691,259	-	2,236,415	18,069	3,470,081
(353,939)	-	-	(1,192,841)	(3,227,674)
<u>337,320</u>	<u>-</u>	<u>2,236,415</u>	<u>(1,174,772)</u>	<u>261,759</u>
(211,014)	(3,023)	52,283	50,066	66,697
1,297,269	(970,668)	(6,847)	153,021	3,701,251
<u>\$ 1,086,255</u>	<u>\$ (973,691)</u>	<u>\$ 45,436</u>	<u>\$ 203,087</u>	<u>\$ 3,767,948</u>
\$ -	\$ -	\$ 45,436	\$ -	\$ 45,436
-	-	-	-	3,191,426
-	(973,691)	-	85,301	(672,955)
1,086,255	-	-	117,786	1,204,041
<u>\$ 1,086,255</u>	<u>\$ (973,691)</u>	<u>\$ 45,436</u>	<u>\$ 203,087</u>	<u>\$ 3,767,948</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, 2009

Total Governmental Funds Cash Balance (page 5)	\$ 3,767,948
 <i>Amounts Reported for Governmental Activities in the Statement of Activities and Net Assets Are Different because:</i>	
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.	<u>131,912</u>
Cash Basis Net Assets of Governmental Activities (page 4)	\$ <u>3,899,860</u>
 Net Change in Cash Balances (page 5)	 \$ 66,697
 <i>Amounts Reported for Governmental Activities in the Statement of Activities and Net Assets Are Different because:</i>	
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.	<u>(55,263)</u>
Change in Cash Balance of Governmental Activities (page 4)	\$ <u>11,434</u>

City of Maquoketa
Statement of Cash Receipts, Disbursements, and Changes in
Cash Balances - Proprietary Funds
As of and for the Year Ended June 30, 2009

	Enterprise Funds	
	Water Utility	Wastewater Treatment
Operating Receipts:		
Use of Money and Property	\$ 11,456	\$ 79,730
Charges for Service	666,408	875,410
Miscellaneous	-	-
Total Operating Receipts	<u>677,864</u>	<u>955,140</u>
Operating Disbursements:		
Governmental Activities:		
Public Safety	-	-
Public Works	-	-
Culture and Recreation	-	-
Community and Economic Development	-	-
General Government	-	-
Business Type Activities	424,389	900,904
Total Operating Disbursements	<u>424,389</u>	<u>900,904</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>253,475</u>	<u>54,236</u>
Non-Operating Receipts (Disbursements):		
Intergovernmental	-	-
Miscellaneous	(2,102)	-
General Obligation Bond Proceeds	-	-
Total Non-Operating Receipts (Disbursements)	<u>(2,102)</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>251,373</u>	<u>54,236</u>
Other Financing Sources (Uses)		
Interfund Loans	-	-
Operating Transfers In	5,000	110,964
Operating Transfers Out	(214,729)	(254,517)
Total Other Financing Sources (Uses)	<u>(209,729)</u>	<u>(143,553)</u>
Net Change in Cash Balances	41,644	(89,317)
Cash Balances Beginning of Year	813,620	1,011,310
Cash Balances End of Year	<u>\$ 855,264</u>	<u>\$ 921,993</u>
Cash Basis Fund Balances		
Reserved for Debt Service	\$ -	\$ 279,691
Unreserved	855,264	642,302
Total Cash Basis Fund Balance	<u>\$ 855,264</u>	<u>\$ 921,993</u>

Exhibit D

Enterprise Funds		Internal Service Fund
Storm Water	Total	Employee Health
\$ -	\$ 91,186	\$ 485
123,229	1,665,047	46,489
-	-	108,094
<u>123,229</u>	<u>1,756,233</u>	<u>155,068</u>
-	-	107,917
-	-	100,361
-	-	148,286
-	-	46,218
-	-	40,597
1,724	1,327,017	-
<u>1,724</u>	<u>1,327,017</u>	<u>443,379</u>
<u>121,505</u>	<u>429,216</u>	<u>(288,311)</u>
-	-	-
-	(2,102)	-
-	-	-
-	(2,102)	-
<u>121,505</u>	<u>427,114</u>	<u>(288,311)</u>
-	-	-
-	115,964	233,048
(122,173)	(591,419)	-
<u>(122,173)</u>	<u>(475,455)</u>	<u>233,048</u>
(668)	(48,341)	(55,263)
(309,781)	1,515,149	187,175
<u>\$ (310,449)</u>	<u>\$ 1,466,808</u>	<u>\$ 131,912</u>
\$ -	\$ 279,691	\$ -
(310,449)	1,187,117	131,912
<u>\$ (310,449)</u>	<u>\$ 1,466,808</u>	<u>\$ 131,912</u>

See Notes to Financial Statements

City of Maquoketa
Reconciliation of the Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances to the Statement of Activities
and Net Assets - Proprietary Funds
As of and for the Year Ended June 30, 2009

Total Enterprise Funds Cash Balance (page 7)	\$ 1,466,808
 <i>Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets Are Different because:</i>	
None	-
Cash Basis Net Assets of Business Type Activities (page 4)	<u>\$ 1,466,808</u>
 Net Change in Cash Balances (page 7)	 \$ (48,341)
 <i>Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets Are Different because:</i>	
None	-
Change in Cash Balance of Business Type Activities (page 4)	<u>\$ (48,341)</u>

City of Maquoketa
Statement of Cash Receipts, Disbursements, and Changes
in Cash Balances - Fiduciary Funds
As of and for the Year Ended June 30, 2009

	<u>Police Retirement System</u>
Additions:	
Contributions:	
Plan Members	\$ 45,240
Total Contributions	<u>45,240</u>
Investment Earnings:	
Net (Decrease) in Fair Value of Investments	(86,151)
Interest	16,428
Total Investment (Loss)	<u>(69,723)</u>
Total Additions	<u>(24,483)</u>
Deductions:	
Benefits	137,310
Total Deductions	<u>137,310</u>
Other Financing Sources (Uses):	
Interfund Loan	-
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Cash Balances	(161,793)
Cash Balances - Beginning of the Year	490,418
Cash Balances- End of the Year	<u>\$ 328,625</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 Wastewater 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, 2009, disbursements exceeded the amounts budgeted in the cultural and recreation function.

City of Maquoketa

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2009, 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, 2009, 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	\$ 559,449	\$ 465,377	----
Stocks	621,628	461,414	----
Corporate Bonds:			
General Electric Cap. Corp.	25,000	25,277	5/9/2018
General Electric Cap Corp Internotes	10,000	9,517	5/15/2015
Consolidated Edison Co.	30,274	31,289	12/15/2015
Bank Amer Corp Sub Internotes	39,116	38,797	3/15/2016
Mid American Energy Co.	38,996	43,182	7/12/2017
Conoco Phillips	32,973	35,000	5/15/2018
Walgreen Co.	14,189	14,591	1/15/2019
AT&T Corp	19,871	20,343	2/15/2019
Provident Bank MD	30,000	30,843	7/23/2010
HSBC Fin Corp HSBC Fin Internotes	44,944	45,126	4/15/2011
National Rural Utilities Coop	28,000	28,215	4/16/2012
Merrill Lynch & Co Inc	20,140	19,525	2/5/2013
Principal Life Income Fundings	40,000	38,565	11/17/2014
JP Morgan Chase Cap XI	37,589	32,864	6/15/2033
PNC Capital Trust D	37,500	30,075	12/15/2033
U.S. Government Bonds:			
Federal Home Ln Bks Deb 6.00%	25,000	26,930	7/12/2016
FHLB 6.23%	10,000	10,316	6/29/2022
FHLB 6.00%	25,000	26,367	8/22/2022
FHLMC Remic 2854-EE	4,000	4,000	9/15/2034
GNMA Pool #493023 6.00%	973	802	11/15/2013

Certain investments included above that are held by the Police Retirement System Fund (Fiduciary fund) in the amount of \$264,689 are reported at fair value in the financial statements because the original cost of these investments is unknown.

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable

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

Year Ending June 30	General Obligation Capital Loan Notes		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2010	\$ 285,000	\$ 141,015	\$ 32,402	\$ 11,203
2011	530,000	130,005	34,106	9,497
2012	505,000	110,460	35,901	7,702
2013	520,000	91,385	37,791	5,813
2014	515,000	71,350	39,780	3,824
2015	290,000	51,130	41,874	1,731
2016	125,000	38,937	10,809	92
2017	125,000	33,375	----	----
2018	125,000	27,812	----	----
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>\$ 3,520,000</u>	<u>\$ 751,095</u>	<u>\$ 232,663</u>	<u>\$ 39,862</u>

Year Ending June 30	Jet Fuel Tank Contract		Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 4,668	\$ 3,332	\$ 2,000	\$ ----
2011	5,127	2,873	----	----
2012	5,632	2,368	----	----
2013	6,186	1,814	----	----
2014	6,795	1,205	----	----
2015	8,385	536	----	----
2016	----	----	----	----
2017	----	----	----	----
2018	----	----	----	----
2019	----	----	----	----
2020	----	----	----	----
2021	----	----	----	----
2022	----	----	----	----
2023	----	----	----	----
2024	----	----	----	----
2025	----	----	----	----
2026	----	----	----	----
	<u>\$ 36,793</u>	<u>\$ 12,128</u>	<u>\$ 2,000</u>	<u>\$ ----</u>

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

Year Ending June 30	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 220,000	\$ 209,045	\$ 173,000	\$ 127,305	\$ 717,070	\$ 491,900
2011	90,000	155,165	178,000	122,040	837,233	419,580
2012	95,000	151,250	184,000	116,610	825,533	388,390
2013	95,000	146,975	189,000	111,015	847,977	357,002
2014	100,000	142,605	194,000	105,270	855,575	324,254
2015	775,000	137,905	201,000	99,345	1,316,259	290,647
2016	760,000	96,690	206,000	93,240	1,101,809	228,959
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	114,062
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>\$ 3,145,000</u>	<u>\$ 1,106,385</u>	<u>\$ 4,271,687</u>	<u>\$ 1,170,840</u>	<u>\$ 11,208,143</u>	<u>\$ 3,080,310</u>

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

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

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- 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.

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

- 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.

The 2008 equalized valuation of taxable property of the City, as certified by Jackson County, Iowa, is \$268,506,384. The legal debt limit as of June 30, 2009, in accordance with the Iowa Constitution Article XI.3 follows:

Debt Limit (5% of \$268,506,384)	<u>\$ 13,425,319</u>
----------------------------------	----------------------

NOTE 4. Interfund Loans

During the year ended June 30, 2006, the General Capital Improvements Fund loaned \$387,993 to the Urban Renewal Tax Increment Fund to pay off TIF related debt and save interest costs. The loan bears interest at 8.0% per annum, and will be repaid upon a schedule to be determined by the Maquoketa City Council at a later date. At June 30, 2009, the outstanding balance was \$354,032.

City of Maquoketa

Notes to Financial Statements

NOTE 5. 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 4.10% of their annual salary, and the City is required to contribute 6.35% of covered salary, except for police employees, in which case the percentages are 6.14% and 9.20%, 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, 2009, 2008, and 2007, were \$54,972, \$51,753, and \$48,702, 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 50266.

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, 2009, 2008, and 2007, were \$90,722, \$116,571, and \$125,508, respectively, which met the required minimum contribution for each year.

NOTE 6. 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, 2009, primarily relating to the General Fund, is as follows:

City of Maquoketa

Notes to Financial Statements

NOTE 6. Compensated Absences (Continued)

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 75,853
Sick Leave	<u>50,447</u>
Total	<u>\$ 126,300</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, 2009.

NOTE 7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 103,163
	Local Option Sales Tax	221,786
	Employee Benefits	20,248
	Enterprise:	
	Water Utility	42,108
	Wastewater Utility	<u>49,088</u>
		<u>\$ 436,393</u>
Special Revenue: Road Use Tax	Capital Projects: General	<u>\$ 87,945</u>
Capital Projects: Airport (CIP)	General	<u>\$ 6,781</u>
General (CIP)	General	<u>\$ 161,015</u>
	Special Revenue:	
	Road Use Tax	308,173
	Local Option Sales Tax	110,964
	Urban Renewal Tax Increment	<u>111,107</u>
		<u>\$ 691,259</u>

City of Maquoketa

Notes to Financial Statements

NOTE 7. Interfund Transfers (Continued)

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Road Use Tax	\$ 34,604
	Urban Renewal Tax Increment	278,983
	Capital Projects:	
	General	265,994
	Industrial Park	121,909
	General	1,034,702
	Enterprise:	
	Water Utility	172,621
	Wastewater Utility	205,429
	Storm Water	122,173
		<u>\$ 2,236,415</u>
Enterprise:		
Water Utility	General	<u>\$ 5,000</u>
Wastewater Utility	Special Revenue:	
	Local Option Sales Tax	<u>\$ 110,964</u>
Internal Service Fund:		
Employee Health	General	\$ 16,168
	Special Revenue:	
	Employee Benefits	216,880
		<u>\$ 233,048</u>
Nonmajor Governmental Funds:		
Jackson County Task Force	General	<u>\$ 11,288</u>
TOTAL		<u>\$ 3,819,093</u>

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

NOTE 8. Related Party Transactions

The City had business transactions between the City and City officials, totaling \$36 during the year ended June 30, 2009.

City of Maquoketa

Notes to Financial Statements

NOTE 9. Risk Management

The City of Maquoketa, Iowa, is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

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

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

NOTE 10. Deficit Fund Balance

The Urban Renewal Tax Increment, Housing Assistance Program, Storm Water, and ARC funds had deficit fund balance amounts of \$118,971, \$12,803, \$310,449, and \$973,691, respectively, at June 30, 2009. The City will be receiving grant money, donations, and transfer funds to eliminate these deficit fund balances.

NOTE 11. Construction in Progress and Subsequent Events

The City has entered into various construction contracts totaling approximately \$3,689,873. The unpaid contract balances as of June 30, 2009, totaled approximately \$742,736, which will be paid as work on the projects progress. Construction contracts totaling approximately \$5,800 were entered into subsequent to June 30, 2009.

NOTE 12. Economic Development Loan

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

City of Maquoketa

Notes to Financial Statements

NOTE 13. 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, 2009, was \$289,670.

The City's obligation under these agreements for the fiscal year 2010 will not exceed \$323,289.

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 and Subsequent Event

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 \$50 in fuel purchases per month. If sufficient fuel purchases are not made, the tenants are still required to pay \$50.
2. The City is a party to an operating lease for the north and south corporate hangars at the municipal airport. The lease runs from July 1, 2006, through June 30, 2009, and requires rental payments of \$293 and \$261 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. No written notice was given prior to June 30, 2009; therefore the lease was automatically renewed with a lease term from July 1, 2009, through June 30, 2012.

City of Maquoketa

Notes to Financial Statements

NOTE 15. General Fund Cash Balance

The June 30, 2009 ending cash balance (the balance carried at financial institutions, reconciled for deposits in transit and outstanding checks) for the General Fund was \$3,191,426, 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	\$ 967,927
YMCA Operating Acct.	002	23,173
Rehab	014	11,532
Insurance Reserve	019	176,985
Library	031	15,424
Library Corporation	032	2,071,609
Historic Preservation	067	4,968
Historic Preservation	069	6,900
Airport	660	(87,092)
	TOTAL	<u>\$ 3,191,426</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.

NOTE 17. Prospective Accounting Change

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City of Maquoketa. The statements, which might impact the City of Maquoketa, are as follows:

City of Maquoketa

Notes to Financial Statements

NOTE 17. Prospective Accounting Change (Continued)

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this Statement was effective for fiscal year ended June 30, 2006.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

NOTE 18. Subsequent Events

Subsequent events have been evaluated through December 18, 2009, which is the date the financial statements were available to be issued.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	\$ 1,972,089	\$ -	\$ -
Tax Increment Financing Collections	526,248	-	-
Other City Tax	652,976	-	-
Licenses and Permits	11,456	-	-
Use of Money and Property	323,226	91,671	485
Intergovernmental	1,797,377	-	-
Charges for Service	658,759	1,711,536	46,489
Miscellaneous	1,668,067	105,992	108,094
Total Receipts	<u>7,610,198</u>	<u>1,909,199</u>	<u>155,068</u>
Disbursements:			
Public Safety	1,165,820	107,917	107,917
Public Works	1,084,200	100,361	100,361
Culture and Recreation	1,601,928	148,286	148,286
Community and Economic Development	499,295	46,218	46,218
General Government	438,564	40,597	40,597
Debt Service	2,346,690	-	-
Capital Projects	668,763	-	-
Business Type Activities	-	1,327,017	-
Total Disbursements	<u>7,805,260</u>	<u>1,770,396</u>	<u>443,379</u>
Excess (Deficiency) of Receipts over (under) Disbursements	(195,062)	138,803	(288,311)
Other Financing Sources, Net	<u>261,759</u>	<u>(242,407)</u>	<u>233,048</u>
Excess (Deficiency) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	66,697	(103,604)	(55,263)
Balances, Beginning of Year	<u>3,701,251</u>	<u>1,702,324</u>	<u>187,175</u>
Balances, End of Year	<u>\$ 3,767,948</u>	<u>\$ 1,598,720</u>	<u>\$ 131,912</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,972,089	\$ 1,902,479	\$ 1,902,479	\$ 69,610
526,248	656,795	656,795	(130,547)
652,976	658,929	658,929	(5,953)
11,456	11,465	11,465	(9)
414,412	68,888	151,926	262,486
1,797,377	1,103,983	2,229,700	(432,323)
2,323,806	2,315,962	2,473,616	(149,810)
1,665,965	366,881	1,361,077	304,888
<u>9,364,329</u>	<u>7,085,382</u>	<u>9,445,987</u>	<u>(81,658)</u>
1,165,820	980,336	1,225,666	59,846
1,084,200	934,885	1,638,585	554,385
1,601,928	1,107,004	1,496,149	(105,779)
499,295	297,688	740,188	240,893
438,564	441,017	486,267	47,703
2,346,690	1,349,528	2,374,528	27,838
668,763	421,759	1,038,559	369,796
1,327,017	1,725,544	1,980,744	653,727
<u>9,132,277</u>	<u>7,257,761</u>	<u>10,980,686</u>	<u>1,848,409</u>
232,052	(172,379)	(1,534,699)	1,766,751
<u>(213,696)</u>	<u>-</u>	<u>19,300</u>	<u>(232,996)</u>
18,356	(172,379)	(1,515,399)	1,533,755
<u>5,216,400</u>	<u>5,403,575</u>	<u>5,403,575</u>	<u>(187,175)</u>
<u>\$ 5,234,756</u>	<u>\$ 5,231,196</u>	<u>\$ 3,888,176</u>	<u>\$ 1,346,580</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 \$2,360,605 and increased budgeted disbursements by \$3,722,925. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the cultural and recreation function.

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, 2009

	Special Revenue		
	GREAT	Bi-Centennial	Economic Development Revolving
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Use of Money and Property	-	-	1,940
Intergovernmental	-	-	-
Miscellaneous	-	116	-
Total Receipts	-	116	1,940
Disbursements:			
Operating:			
Public Safety	125	-	-
Public Works	-	-	-
Culture and Recreation	-	12	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	125	12	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(125)	104	1,940
Other Financing Sources (Uses):			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Cash Balances	(125)	104	1,940
Cash Balances, Beginning of Year	283	1,459	186,271
Cash Balances, End of Year	\$ 158	\$ 1,563	\$ 188,211
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 158	\$ 1,563	\$ 188,211
Capital Project Fund	-	-	-
Total Cash Basis Fund Balance	\$ 158	\$ 1,563	\$ 188,211

Schedule 1

Urban Renewal Tax Increment	Housing Assistance Program	Employee Benefits	Police Forfeiture	Local Option Sales Tax	Jackson County Task Force
\$ -	\$ -	\$ 431,326	\$ -	\$ -	\$ -
526,248	-	-	-	-	-
-	-	-	-	443,854	-
-	-	-	53	-	-
-	86,463	-	5,068	-	-
<u>526,248</u>	<u>86,463</u>	<u>431,326</u>	<u>5,121</u>	<u>443,854</u>	<u>-</u>
-	-	54,204	3,235	-	-
-	-	48,018	-	-	-
-	-	26,746	-	-	-
127,766	100,650	-	-	-	-
-	-	27,663	-	-	-
-	-	-	-	-	-
<u>127,766</u>	<u>100,650</u>	<u>156,631</u>	<u>3,235</u>	<u>-</u>	<u>-</u>
<u>398,482</u>	<u>(14,187)</u>	<u>274,695</u>	<u>1,886</u>	<u>443,854</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	11,288
<u>(390,090)</u>	<u>-</u>	<u>(237,128)</u>	<u>-</u>	<u>(443,714)</u>	<u>-</u>
<u>(390,090)</u>	<u>-</u>	<u>(237,128)</u>	<u>-</u>	<u>(443,714)</u>	<u>11,288</u>
8,392	(14,187)	37,567	1,886	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>
<u>\$ (118,971)</u>	<u>\$ (12,803)</u>	<u>\$ 15,188</u>	<u>\$ 11,411</u>	<u>\$ -</u>	<u>\$ -</u>
(118,971)	\$ (12,803)	\$ 15,188	\$ 11,411	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (118,971)</u>	<u>\$ (12,803)</u>	<u>\$ 15,188</u>	<u>\$ 11,411</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Maquoketa
Statement of Cash Receipts, Disbursements, and
Changes in Cash Balances - Nonmajor Governmental Funds (Continued)
As of and for the Year Ended June 30, 2009

	Special Revenue	Capital Projects			Total
	Hooked on Fishing	Industrial Park	Library	Airport	
Receipts:					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 431,326
Tax Increment Financing Collections	-	-	-	-	526,248
Other City Tax	-	-	-	-	443,854
Use of Money and Property	-	-	-	993	2,986
Intergovernmental	-	119,289	-	-	119,289
Miscellaneous	1,200	-	1,006	-	93,853
Total Receipts	1,200	119,289	1,006	993	1,617,556
Disbursements:					
Operating:					
Public Safety	-	-	-	-	57,564
Public Works	-	-	-	-	48,018
Culture and Recreation	-	-	-	-	26,758
Community and Economic Developmen	-	-	-	-	228,416
General Government	1,208	-	-	-	28,871
Debt Service	-	-	-	-	-
Capital Projects	-	294	1,006	1,791	3,091
Total Disbursements	1,208	294	1,006	1,791	392,718
Excess (Deficiency) of Receipts Over (Under) Disbursements	(8)	118,995	-	(798)	1,224,838
Other Financing Sources (Uses):					
Bond Proceeds	-	-	-	-	-
Operating Transfers In	-	-	-	6,781	18,069
Operating Transfers Out	-	(121,909)	-	-	(1,192,841)
Total Other Financing Sources (Uses)	-	(121,909)	-	6,781	(1,174,772)
Net Change in Cash Balances	(8)	(2,914)	-	5,983	50,066
Cash Balances, Beginning of Year	552	20,700	31	93,986	153,021
Cash Balances, End of Year	\$ 544	\$ 17,786	\$ 31	\$ 99,969	\$ 203,087
Cash Basis Fund Balances:					
Unreserved:					
Special Revenue Funds	\$ 544	\$ -	\$ -	\$ -	\$ 85,301
Capital Project Fund	-	17,786	31	99,969	117,786
Total Cash Basis Fund Balance	\$ 544	\$ 17,786	\$ 31	\$ 99,969	\$ 203,087

**City of Maquoketa
Schedule of Indebtedness
Year Ended June 30, 2009**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
2005A Refunding Capital Loan Notes	August 10, 2005	2.75% - 3.90%	\$ 2,095,000
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>
Revenue Bonds:			
Parking Lot	December 1, 1967	3.50%	\$ 221,000
Total			<u>\$ 2,267,000</u>
General Obligation Notes:			
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
Total			<u>\$ 6,880,000</u>
Revenue Notes:			
Sewer	May 3, 2002	3.00%	\$ 2,500,000
Water	June 13, 2005	3.00%	2,500,000
Enterprise	May 30, 2007	4.60%	1,250,000
Total			<u>\$ 6,250,000</u>
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>
Equipment Capital Lease	September 15, 2008	5.14%	<u>\$ 255,897</u>

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,980,000	\$ -	\$ 95,000	\$ 1,885,000	\$ 25,868	\$ -
1,600,000	-	100,000	1,500,000	66,045	-
265,000	-	130,000	135,000	9,830	-
<u>\$ 3,845,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 3,520,000</u>	<u>\$ 101,743</u>	<u>\$ -</u>
\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -
<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 265,000	\$ -	\$ 130,000	\$ 135,000	\$ 75,029	\$ -
2,500,000	-	-	2,500,000	135,745	-
590,000	-	80,000	510,000	26,230	-
<u>\$ 3,355,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 3,145,000</u>	<u>\$ 237,004</u>	<u>\$ -</u>
\$ 2,128,687	\$ -	\$ 69,000	\$ 2,059,687	\$ 62,826	\$ -
2,311,000	-	99,000	2,212,000	67,845	-
1,250,000	-	1,250,000	-	43,321	-
<u>\$ 5,689,687</u>	<u>\$ -</u>	<u>\$ 1,418,000</u>	<u>\$ 4,271,687</u>	<u>\$ 173,992</u>	<u>\$ -</u>
\$ 41,042	\$ -	\$ 4,249	\$ 36,793	\$ 3,751	\$ -
<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ 234</u>	<u>\$ -</u>
\$ -	\$ 255,897	\$ 23,234	\$ 232,663	\$ 9,470	\$ -

See Accompanying Independent Auditor's Report

City of Maquoketa
Schedule of Bond and Note Maturities
Year Ended June 30, 2009

General Obligation Notes							
Year Ending June 30,	2005A Refunding CLN		2006A CLN		CLN		Total
	Issued August 10, 2005		Issued March 1, 2006		Issued August 1, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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%	165,000		-	4.45%	125,000	290,000
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>\$ 1,885,000</u>		<u>\$ 135,000</u>		<u>\$ 1,500,000</u>	<u>\$ 3,520,000</u>

Revenue Notes					
Year Ending June 30,	Sewer		Water		Total
	Issued May 3, 2002		Issued June 13, 2005		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.00%	\$ 71,000	3.00%	\$ 102,000	\$ 173,000
2011	3.00%	73,000	3.00%	105,000	178,000
2012	3.00%	76,000	3.00%	108,000	184,000
2013	3.00%	78,000	3.00%	111,000	189,000
2014	3.00%	80,000	3.00%	114,000	194,000
2015	3.00%	83,000	3.00%	118,000	201,000
2016	3.00%	85,000	3.00%	121,000	206,000
2017	3.00%	205,000	3.00%	125,000	330,000
2018	3.00%	211,000	3.00%	129,000	340,000
2019	3.00%	218,000	3.00%	133,000	351,000
2020	3.00%	224,000	3.00%	136,000	360,000
2021	3.00%	231,000	3.00%	141,000	372,000
2022	3.00%	238,000	3.00%	145,000	383,000
2023	3.00%	186,687	3.00%	149,000	335,687
2024		-	3.00%	154,000	154,000
2025		-	3.00%	158,000	158,000
2026		-	3.00%	163,000	163,000
Total		<u>\$ 2,059,687</u>		<u>\$ 2,212,000</u>	<u>\$ 4,271,687</u>

Year Ending June 30,	Revenue Bond		Jet Fuel Tank Contract	
	Parking Lot		Issued July 1, 2007	
	Issued December 1, 1967			
	Interest Rates	Amount	Interest Rates	Amount
2010	3.50%	\$ 2,000	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%	8,385
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
2025		-		-
2026		-		-
Total		\$ 2,000		\$ 36,793

Year Ending June 30,	Equipment Capital Lease	
	Issued September 15, 2008	
	Interest Rates	Amount
2010	5.14%	\$ 32,402
2011	5.14%	34,106
2012	5.14%	35,901
2013	5.14%	37,791
2014	5.14%	39,780
2015	5.14%	41,874
2016	5.14%	10,809
2017		-
2018		-
2019		-
2020		-
2021		-
2022		-
2023		-
2024		-
2025		-
2026		-
Total		\$ 232,663

City of Maquoketa
Schedule of Bond and Note Maturities (Continued)
Year Ended June 30, 2009

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	
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>\$ 510,000</u>		<u>\$ 135,000</u>		<u>\$ 2,500,000</u>	<u>\$ 3,145,000</u>

Year Ending June 30,	Total Maturities
2010	\$ 717,070
2011	837,233
2012	825,533
2013	847,977
2014	855,575
2015	1,316,259
2016	1,101,809
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>\$ 11,208,143</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 Six Years

	<u>2009</u>	<u>2008</u>
Receipts:		
Property Tax	\$ 1,972,089	\$ 1,587,970
Tax Increment Financing Collections	526,248	557,245
Other City Tax	652,976	645,247
Licenses and Permits	11,456	11,836
Use of Money and Property	323,226	322,262
Intergovernmental	1,797,377	1,168,127
Charges for Services	658,759	615,265
Miscellaneous	<u>1,668,067</u>	<u>944,943</u>
Total	<u>\$ 7,610,198</u>	<u>\$ 5,852,895</u>
Disbursements:		
Operating:		
Public Safety	\$ 1,165,820	\$ 2,190,757
Public Works	1,084,200	2,337,283
Culture and Recreation	1,601,928	1,309,770
Community and Economic Development	499,295	161,683
General Government	438,564	723,448
Debt Service	2,346,690	999,929
Capital Projects	<u>668,763</u>	<u>2,126,877</u>
Total	<u>\$ 7,805,260</u>	<u>\$ 9,849,747</u>

(1) Fiscal year 2004 was the first year of reporting the City's operations under GASB 34 and by function.

Schedule 4

2007	2006	2005	2004 ⁽¹⁾
\$ 1,561,520 537,118 630,453 12,715 253,697 2,316,568 192,288 2,034,139 <u> </u> <u>\$ 7,538,498</u>	\$ 1,570,993 385,423 568,625 9,456 190,391 1,357,464 162,455 533,621 <u> </u> <u>\$ 4,778,428</u>	\$ 1,363,341 394,665 448,731 11,440 98,006 1,127,836 180,297 851,524 <u> </u> <u>\$ 4,475,840</u>	\$ 1,387,111 397,422 493,801 12,392 188,252 1,541,942 173,511 489,140 <u> </u> <u>\$ 4,683,571</u>
\$ 1,069,364 1,423,881 495,333 408,563 408,756 936,785 4,596,185 <u> </u> <u>\$ 9,338,867</u>	\$ 1,154,914 840,013 537,154 808,912 420,039 814,281 833,503 <u> </u> <u>\$ 5,408,816</u>	\$ 880,321 827,605 534,748 324,020 608,647 661,767 258,254 <u> </u> <u>\$ 4,095,362</u>	\$ 1,127,686 704,339 518,365 487,139 420,332 609,193 317,252 <u> </u> <u>\$ 4,184,306</u>

See Accompanying Independent Auditor's Report

City of Maquoketa
Additional Information Required by the
Sewer Revenue Bond Resolution
June 30, 2009
(Unaudited)

Insurance - the City has the following insurance coverage.

Insurance Company Address and Policy Number	Insurance Coverage	Amount of Coverage	Expiration Date of Policy
Employers Mutual Companies Des Moines, Iowa Package Policy Policy #8X5-19-34-10	Property	\$ 40,002,848	4/1/2010
	Inland Marine	949,508	4/1/2010
	General Liability	1,000,000	4/1/2010
	Business Auto	1,000,000	4/1/2010
	Umbrella Excess	4,000,000	4/1/2010
	Employee Dishonesty	310,000	4/1/2010
	Linebacker	1,000,000	4/1/2010
	Crime	30,000	4/1/2010
	Commercial Output	33,474,562	4/1/2010
Travelers Group Hartford, Connecticut Policy # BAJ-BM21-702X7309-TIL-07	Sewage & Water Treatment & Distribution	\$ 10,000,000	1/1/2010
	Old Republic Insurance Company Greensburg, Pennsylvania Policy # PR 227806	Airport Owners and Liability	\$ 2,000,000
Nationwide Bethesda, Maryland Policy #5050326247, #5050326239, #5050326254	Flood Insurance Program	\$ 130,100	4/4/2010
VFIS A Division of Glatfelter Insurance Group York, Pennsylvania Policy #VFP 2316-0204C-09	Maquoketa Volunteer Fire Dept. & Rescue Squad	\$ 100,000	1/1/2010
Iowa Municipalities Workers' Compensation Assoc. Des Moines, Iowa Policy #1075-0809	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 2,600 users.



**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, 2009, which collectively comprises the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 18, 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to

initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Statutory Reporting Requirements to be a significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the items I-A-09 and I-B-09 are material weaknesses.

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 II of the accompanying Schedule of Statutory Reporting Requirements.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, 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 Statutory Reporting Requirements. 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
December 18, 2009

City of Maquoketa

Schedule of Statutory Reporting Requirements Year Ended June 30, 2009

Part I. Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

I-A-09 **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.

I-B-09 **Preparation of Financial Statements:** Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City of Maquoketa 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. While this circumstance is not uncommon, 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.

Recommendation: We realize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly prepare financial statements for external financial reporting is difficult. However, we recommend that City officials continue to review operating procedures and obtain the internal expertise needed to handle all aspects of external financial reporting, rather than rely on external assistance.

City of Maquoketa

Schedule of Statutory Reporting Requirements (Continued) Year Ended June 30, 2009

Part I. Findings Related to the Financial Statements (Continued)

I-B-09 **Response:** We would like to provide the recommended level of financial oversight and internal expertise, 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.

Part II: Other Findings Related to Statutory Reporting

II-A-09 **Certified Budget:** Disbursements exceeded budget for the year ended June 30, 2009 in the cultural and recreation function, which is not in compliance with Chapter 384.20 of the Code of Iowa.

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

Response: The City will amend the budget in the future, if applicable.

Conclusion: Response accepted.

II-B-09 **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.

II-C-09 **Travel Expense:** No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 **Business Transactions:** Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Clark, Council Member Part Owner of Clark Saw Center	Supplies	\$ 36

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.

City of Maquoketa

Schedule of Statutory Reporting Requirements (Continued) Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (Continued)

II-E-09 **Bond Coverage:** Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 **Council Minutes:** No transactions were found that we believe should have been approved in the Council minutes, but were not.

II-G-09 **Deposits and Investments:** We noted no instances of deposits in other than allowable depositories. We did note the City did not update the listing of authorized check signers with a local bank with the change in board/committee members during the course of the fiscal year.

Recommendation: The City should file new signature cards with the local bank each time board or committee members change, and review authorized check signers on each account annually.

Response: The City will update the signature card for the account in question, and will review authorized check signers on each account annually.

Conclusion: Response accepted.

II-H-09 **Revenue Bonds:** We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.

II-I-09 **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.

II-J-09 **Financial Condition:** The Urban Renewal Tax Increment, Housing Assistance Program, Storm Water, and ARC funds had deficit balances at June 30, 2009 totaling \$1,415,914.

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.



To the City Council
City of Maquoketa
Maquoketa, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maquoketa (the "City") for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2009. Professional standards also require that we communicate to you the following information related to our audit:

Review of Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maquoketa (the "City") as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Maquoketa'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 of Maquoketa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Maquoketa'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.

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. We consider the following deficiencies in internal control 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.

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. Of the significant deficiencies noted above, we believe the lack of segregation of duties and preparation of financial statements to be material weaknesses.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Maquoketa 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 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 most sensitive estimate affecting the City of Maquoketa's financial statements was:

Management's estimate of the approximate liability for earned compensated absences, which is based on management's calculation using current pay rates and past experience. We evaluated the key factors and assumptions used to develop the approximate liability for earned compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

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 December 18, 2009.

Management 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.

We further consider the following item to be a control deficiency that is of a lesser magnitude than a significant deficiency or material weakness.

Budget Amendment

Budgets are adopted each fiscal year for all funds in accordance with Chapter 384.20 of the Code of Iowa. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under annual or continuing appropriation."

Disbursements during the year ended June 30, 2009, exceeded the amount budgeted in the culture and recreation functional area. The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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
December 18, 2009

City of Maquoketa
Summary Schedule of Prior 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