

City of Maquoketa

Financial Report

June 30, 2011

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City of Maquoketa

List of Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 1, 2011)		
Jason Hute	Mayor	January 1, 2012
Don Schwenker	Council Member	January 1, 2014
Todd Mang	Council Member	January 1, 2014
Amy Moore	Council Member	January 1, 2014
Eric Pape	Council Member	January 1, 2012
Ed Turney	Council Member	January 1, 2012
Neil Morehead	Council Member	January 1, 2012
Margo Shouse	Council Member	January 1, 2012
Brian Wagner	City Manager	Indefinite
Judy Carr	Deputy City Clerk	Indefinite
Diane Frandsen	City Treasurer	Indefinite
Ken Wright	City Attorney	Indefinite
(After January 1, 2011)		
Jason Hute	Mayor	January 1, 2012
Don Schwenker	Council Member	January 1, 2014
Cory Simonson	Council Member	January 1, 2014
Amy Moore	Council Member	January 1, 2014
Eric Pape	Council Member	January 1, 2012
Ed Turney	Council Member	January 1, 2012
Neil Morehead	Council Member	January 1, 2012
Margo Shouse	Council Member	January 1, 2012
Brian Wagner	City Manager	Indefinite
Judy Carr	Deputy City Clerk	Indefinite
Diane Frandsen	City Treasurer	Indefinite
Ken Wright	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, 2011, 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, 2011, 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 14, 2012, 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 26 through 27 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 six years ended June 30, 2010 (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 6, 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.

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

Dubuque, Iowa
March 14, 2012

City of Maquoketa
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions / Programs:				
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,170,712	\$ 1,590	\$ 323,367	\$ 7,605
Public Works	1,738,950	101,325	558,743	174,872
Culture and Recreation	1,347,234	403,904	124,007	-
Community and Economic Development	608,860	77	490,212	-
General Government	614,972	247,238	49,341	-
Debt Service	2,876,002	-	-	-
Capital Projects	255,875	-	-	429,187
Total Governmental Activities	<u>8,612,605</u>	<u>754,134</u>	<u>1,545,670</u>	<u>611,664</u>
Business Type Activities:				
Water Utility	416,940	670,320	-	-
Wastewater Treatment	773,969	882,729	-	-
Stormwater	1,548	121,934	-	-
Total Business Type Activities	<u>1,192,457</u>	<u>1,674,983</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 9,805,062</u>	<u>\$ 2,429,117</u>	<u>\$ 1,545,670</u>	<u>\$ 611,664</u>
Component Unit:				
Maquoketa Municipal Electric Utility	<u>\$ 10,032,650</u>	<u>\$ 9,959,088</u>	<u>\$ -</u>	<u>\$ -</u>
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:				
Expendable:				
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>
\$ (838,150)	\$ -	\$ (838,150)	\$ -
(904,010)	-	(904,010)	-
(819,323)	-	(819,323)	-
(118,571)	-	(118,571)	-
(318,393)	-	(318,393)	-
(2,876,002)	-	(2,876,002)	-
173,312	-	173,312	-
<u>(5,701,137)</u>	<u>-</u>	<u>(5,701,137)</u>	<u>-</u>
-	253,380	253,380	-
-	108,760	108,760	-
-	120,386	120,386	-
<u>-</u>	<u>482,526</u>	<u>482,526</u>	<u>-</u>
<u>(5,701,137)</u>	<u>482,526</u>	<u>(5,218,611)</u>	<u>-</u>
-	-	-	(73,562)
1,315,351	-	1,315,351	-
60,825	-	60,825	-
474,335	-	474,335	-
167,940	-	167,940	-
1,497,041	-	1,497,041	-
449,259	-	449,259	-
66,066	-	66,066	-
13,242	-	13,242	-
231,661	-	231,661	-
11,927	9,269	21,196	69,784
1,740,313	7,069	1,747,382	-
486,266	(180)	486,086	178,580
400	-	400	-
-	-	-	-
<u>393,212</u>	<u>(393,212)</u>	<u>-</u>	<u>-</u>
<u>6,907,838</u>	<u>(377,054)</u>	<u>6,530,784</u>	<u>248,364</u>
1,206,701	105,472	1,312,173	174,802
<u>5,015,710</u>	<u>1,557,660</u>	<u>6,573,370</u>	<u>5,028,009</u>
<u>\$ 6,222,411</u>	<u>\$ 1,663,132</u>	<u>\$ 7,885,543</u>	<u>\$ 5,202,811</u>
\$ 305,012	\$ -	\$ 305,012	\$ -
1,331,079	-	1,331,079	-
296,568	96,360	392,928	-
228,571	-	228,571	-
<u>4,061,181</u>	<u>1,566,772</u>	<u>5,627,953</u>	<u>5,202,811</u>
<u>\$ 6,222,411</u>	<u>\$ 1,663,132</u>	<u>\$ 7,885,543</u>	<u>\$ 5,202,811</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, 2011

	General *	Capital Projects
	General	General
Receipts:		
Property Tax	\$ 1,442,242	\$ -
Tax Increment Financing Collections	-	-
Other City Tax	231,661	-
Licenses and Permits	13,242	-
Use of Money and Property	256,688	6,672
Intergovernmental	837,861	-
Charges for Service	506,896	-
Miscellaneous	450,620	-
Total Receipts	3,739,210	6,672
Disbursements:		
Operating:		
Public Safety	1,027,521	-
Public Works	1,167,732	-
Culture and Recreation	1,231,843	-
Community and Economic Development	232,746	-
General Government	544,001	-
Debt Service	-	-
Capital Projects	-	253,836
Total Disbursements	4,203,843	253,836
Excess (Deficiency) of Receipts over (under) Disbursements	(464,633)	(247,164)
Other Financing Sources (Uses)		
Sale of Capital Assets	400	-
Interfund Loans	39,672	(39,672)
General Obligation Bond Proceeds	-	-
Operating Transfers In	1,039,884	241,224
Operating Transfers Out	(107,469)	(6,672)
Total Other Financing Sources (Uses)	972,487	194,880
Net Change in Cash Balances	507,854	(52,284)
Cash Balances, Beginning of Year	2,410,547	984,910
Cash Balances, End of Year	\$ 2,918,401	\$ 932,626
Cash Basis Fund Balances		
Restricted:		
Debt Service	\$ -	\$ -
Urban Renewal Purposes	-	-
Streets	-	-
Other Purposes	-	-
Unassigned	2,918,401	932,626
Total Cash Basis Fund Balances	\$ 2,918,401	\$ 932,626

* See Note 16 for a breakdown of individual funds comprising the General Fund

Exhibit B

Special Revenue		Debt Service	Other Nonmajor Governmental Funds	Total
Urban Renewal Tax Increment	Road Use Tax			
\$ -	\$ -	\$ 167,940	\$ 474,335	\$ 2,084,517
1,497,040	-	-	-	1,497,040
-	-	-	449,259	680,920
-	-	8,586	-	21,828
-	15,000	11,795	1,681	291,836
-	652,775	-	-	1,490,636
-	-	-	-	506,896
-	-	-	558,253	1,008,873
<u>1,497,040</u>	<u>667,775</u>	<u>188,321</u>	<u>1,483,528</u>	<u>7,582,546</u>
-	-	-	69,883	1,097,404
-	403,389	-	58,938	1,630,059
-	-	-	31,029	1,262,872
224,290	-	-	113,698	570,734
-	-	-	32,462	576,463
-	43,604	2,832,398	-	2,876,002
-	-	-	2,039	255,875
<u>224,290</u>	<u>446,993</u>	<u>2,832,398</u>	<u>308,049</u>	<u>8,269,409</u>
<u>1,272,750</u>	<u>220,782</u>	<u>(2,644,077)</u>	<u>1,175,479</u>	<u>(686,863)</u>
-	-	-	-	400
-	-	-	-	-
-	-	1,740,000	-	1,740,000
-	67,572	988,411	-	2,337,091
(639,941)	(275,383)	-	(1,150,909)	(2,180,374)
<u>(639,941)</u>	<u>(207,811)</u>	<u>2,728,411</u>	<u>(1,150,909)</u>	<u>1,897,117</u>
632,809	12,971	84,334	24,570	1,210,254
698,270	292,041	212,234	279,377	4,877,379
<u>\$ 1,331,079</u>	<u>\$ 305,012</u>	<u>\$ 296,568</u>	<u>\$ 303,947</u>	<u>\$ 6,087,633</u>
\$ -	\$ -	\$ 296,568	\$ -	\$ 296,568
1,331,079	-	-	-	1,331,079
-	305,012	-	-	305,012
-	-	-	228,571	228,571
-	-	-	75,376	3,926,403
<u>\$ 1,331,079</u>	<u>\$ 305,012</u>	<u>\$ 296,568</u>	<u>\$ 303,947</u>	<u>\$ 6,087,633</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, 2011

Total Governmental Funds Cash Balance (page 5) \$ 6,087,633

***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.

134,778

Cash Basis Net Assets of Governmental Activities (page 4) \$ 6,222,411

Net Change in Cash Balances (page 5) \$ 1,210,254

***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.

(3,553)

Change in Cash Balance of Governmental Activities (page 4) \$ 1,206,701

City of Maquoketa
Statement of Cash Receipts, Disbursements, and Changes in
Cash Balances - Proprietary Funds
As of and for the Year Ended June 30, 2011

	Enterprise Funds	
	Water Utility	Wastewater Treatment
Operating Receipts:		
Use of Money and Property	\$ 4,329	\$ 4,939
Charges for Service	666,217	876,812
Miscellaneous	-	5,604
Total Operating Receipts	670,546	887,355
Operating Disbursements:		
Governmental Activities:		
Public Safety	-	-
Public Works	-	-
Culture and Recreation	-	-
Community and Economic Development	-	-
General Government	-	-
Business Type Activities	416,940	773,969
Total Operating Disbursements	416,940	773,969
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	253,606	113,386
Non-Operating Receipts (Disbursements):		
Intergovernmental	-	-
Miscellaneous	3,924	-
General Obligation Bond Proceeds	-	7,382
Total Non-Operating Receipts (Disbursements)	3,924	7,382
Excess (Deficiency) of Receipts Over (Under) Disbursements	257,530	120,768
Other Financing Sources (Uses)		
Interfund Loans	-	-
Operating Transfers In	5,000	112,315
Operating Transfers Out	(214,977)	(227,978)
Total Other Financing Sources (Uses)	(209,977)	(115,663)
Net Change in Cash Balances	47,553	5,105
Cash Balances Beginning of Year	665,249	851,725
Cash Balances End of Year	\$ 712,802	\$ 856,830
Cash Basis Fund Balances		
Restricted for Debt Service	\$ -	\$ 96,360
Unrestricted	712,802	760,470
Total Cash Basis Fund Balance	\$ 712,802	\$ 856,830

Exhibit D

Enterprise Funds		Internal Service Fund
Storm Water	Total	Employee Health
\$ -	\$ 9,268	\$ 304
121,934	1,664,963	102,844
-	5,604	-
121,934	1,679,835	103,148
-	-	73,308
-	-	108,891
-	-	84,362
-	-	38,126
-	-	38,509
1,548	1,192,457	-
1,548	1,192,457	343,196
120,386	487,378	(240,048)
-	-	-
-	3,924	-
-	7,382	-
-	11,306	-
120,386	498,684	(240,048)
-	-	-
-	117,315	236,495
(67,572)	(510,527)	-
(67,572)	(393,212)	236,495
52,814	105,472	(3,553)
40,686	1,557,660	138,331
\$ 93,500	\$ 1,663,132	\$ 134,778
-	-	-
-	96,360	-
93,500	1,566,772	134,778
\$ 93,500	\$ 1,663,132	\$ 134,778

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, 2011

Total Enterprise Funds Cash Balance (page 7)	\$ 1,663,132
 <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><u>\$ 1,663,132</u></u>
 Net Change in Cash Balances (page 7)	 \$ 105,472
 <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><u>\$ 105,472</u></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, 2011

	<u>Police Retirement System</u>
Additions:	
Contributions:	
Plan Members	\$ 120,565
Total Contributions	<u>120,565</u>
Investment Earnings:	
Net (Decrease) in Fair Value of Investments	(33,455)
Interest	6,168
Total Investment (Loss)	<u>(27,287)</u>
Total Additions	<u>93,278</u>
Deductions:	
Benefits	63,301
Total Deductions	<u>63,301</u>
Other Financing Sources (Uses):	
Interfund Loan	-
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Cash Balances	29,977
Cash Balances - Beginning of the Year	283,595
Cash Balances- End of the Year	<u><u>\$ 313,572</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 Mayor and confirmed 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.

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

City of Maquoketa

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Jointly Governed Organizations (Continued)

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:

Expendable 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.

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.

City of Maquoketa

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

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.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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.

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:

City of Maquoketa

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

City of Maquoketa

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

Recently Adopted Accounting Pronouncements

The Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. GASB No. 54 is effective for financial statements for periods beginning after June 15, 2010.

NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2011, 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, 2011, 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	\$ 739,821	\$ 746,788	-----
Stocks	642,790	696,637	-----
Corporate Bonds:			
General Electric Cap. Corp. 5%	25,000	24,881	5/9/2018
General Electric Cap Corp Internotes	10,000	10,676	5/15/2015

City of Maquoketa

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments (Continued)

Type	Carrying Amount	Fair Value	Maturity
Corporate Bonds (Continued):			
Archer Daniels Midland Co.	\$ 20,526	\$ 20,952	3/1/2021
Bank Amer Corp Sub Internotes	39,116	41,915	3/15/2016
Mid American Energy Co.	38,996	46,359	7/15/2017
Conoco Phillips	32,973	39,320	5/15/2018
Walgreen Co.	14,158	15,629	1/15/2019
AT&T Corp	19,871	22,602	2/15/2019
Berkshire Hathaway Fin Corp	25,492	26,261	1/15/2021
Blackrock, Inc.	34,381	33,438	5/24/2021
Ameris Bank Moultrie, GA	45,000	46,625	12/2/2014
Merrill Lynch & Co Inc	20,068	21,224	2/5/2015
General Electric Cap. Corp.	30,000	29,091	7/15/2018
PNC Capital Trust D	37,500	37,695	12/15/2033
JP Morgan Chase Moody AA3	29,113	30,009	3/25/2020
Collingswood NJ Taxable	26,815	26,783	6/1/2022
Goldman Sachs Group Inc.	24,968	24,483	5/16/2019
National Rural Utils Corp Fin	20,000	19,770	3/15/2020
U.S. Government Bonds:			
Federal Home Ln Bks Deb 6.00%	25,000	26,348	7/12/2016
FHLB 6.00%	25,000	25,044	8/22/2022
GNMA Pool #493023 6.00%	786	331	11/15/2013

Certain investments included above that are held by the Police Retirement System Fund (Fiduciary fund) in the amount of \$295,756 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		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 674,000	\$ 119,058	\$ 35,900	\$ 7,702
2013	686,000	79,124	37,791	5,813
2014	683,000	62,278	39,780	3,824
2015	390,000	48,620	41,874	1,731
2016	125,000	38,937	10,809	92

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

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
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	----	----	----	----
2027	----	----	----	----
2028	----	----	----	----
2029	----	----	----	----
	<u>\$ 3,308,000</u>	<u>\$ 464,830</u>	<u>\$ 166,154</u>	<u>\$ 19,162</u>

Year Ending June 30	Revenue Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2012	\$ 2,000	\$ ----	\$ ----	\$ 135,745
2013	----	----	----	135,745
2014	----	----	----	135,745
2015	----	----	730,000	135,745
2016	----	----	760,000	96,690
2017	----	----	810,000	55,650
2018	----	----	200,000	11,100
2019	----	----	----	----
2020	----	----	----	----
2021	----	----	----	----
2022	----	----	----	----
2023	----	----	----	----
2024	----	----	----	----
2025	----	----	----	----
2026	----	----	----	----
2027	----	----	----	----
2028	----	----	----	----
2029	----	----	----	----
	<u>\$ 2,000</u>	<u>\$ ----</u>	<u>\$ 2,500,000</u>	<u>\$ 706,420</u>

City of Maquoketa

Notes to Financial Statements

NOTE 3. Bond and Notes Payable (Continued)

Year Ending June 30	Revenue Notes		Total	
	Principal	Interest	Principal	Interest
2012	\$ 190,000	\$ 121,410	\$ 901,901	\$ 383,915
2013	196,000	115,635	919,791	336,317
2014	201,000	109,680	923,780	311,527
2015	208,000	103,545	1,369,874	289,641
2016	214,000	97,230	1,109,808	232,950
2017	338,000	88,950	1,273,000	177,975
2018	348,000	78,660	673,000	117,573
2019	360,000	68,055	485,000	90,305
2020	369,000	57,120	494,000	73,807
2021	381,000	45,870	506,000	56,995
2022	392,000	34,275	517,000	39,837
2023	346,000	22,350	346,000	22,350
2024	164,000	13,830	164,000	13,830
2025	168,000	8,850	168,000	8,850
2026	173,000	3,735	173,000	3,735
2027	12,000	585	12,000	585
2028	2,000	120	2,000	120
2029	4,000	60	4,000	60
	<u>\$ 4,066,000</u>	<u>\$ 969,960</u>	<u>\$ 10,042,154</u>	<u>\$ 2,160,372</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 2010 equalized valuation of taxable property of the City, as certified by Jackson County, Iowa, is \$297,227,486. The legal debt limit as of June 30, 2011, in accordance with the Iowa Constitution Article XI.3 follows:

Debt Limit (5% of \$297,227,486)	<u>\$ 14,861,374</u>
----------------------------------	----------------------

NOTE 4. Interfund Loans

During the year ended June 30, 2006, the General Capital Improvements Fund loaned \$354,032 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 June 30, 2011, the outstanding balance was \$294,430.

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 4.50% of their annual salary, and the City is required to contribute 6.95% of covered salary, except for police employees, in which case the percentages are 6.64% and 9.95%, 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, 2011, 2010, and 2009, were \$67,052, \$60,979, and \$54,972, 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 9.40% of their earnable compensation, and the City's contribution rate, based on an actuarially determined normal contribution rate, cannot be less than 19.90% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010, and 2009, were \$135,006, \$128,112, and \$90,722, respectively, which met the required minimum contribution for each year.

NOTE 6. Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for active employees, retirees and their spouses. There are 27 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug, disability and life benefits are provided through a partially self funded insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

City of Maquoketa

Notes to Financial Statements

NOTE 6. Other Post Employment Benefits (OPEB) (Continued)

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$589 for single coverage and \$1,194 for family coverage. The same monthly premiums apply to retirees, and the retiree is responsible for the entire premium. For the year ended June 30, 2011, the City contributed \$245,837 and plan members eligible for benefits contributed \$47,174 to the plan. The City has one retired employee who qualifies as disabled under the Chapter 411 Plan. The City is required to pay for all medical conditions related to his heart condition. In addition to the premium costs listed above, the City paid \$5,900 (health premiums and medication) in medical expenses for this retired employee for the year ended June 30, 2011.

NOTE 7. 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, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 69,584
Sick Leave	43,745
Total	<u>\$ 113,329</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, 2011.

City of Maquoketa

Notes to Financial Statements

NOTE 8. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 119,729
	Local Option Sales Tax	336,944
	Employee Benefits	25,750
	Capital Projects:	
	General	6,672
	ARC	414,130
	Airport	43,092
	Enterprise:	
	Water Utility	42,977
	Wastewater Utility	50,590
		<u>\$ 1,039,884</u>
Special Revenue:	Enterprise:	
Road Use Tax	Storm Water Utility	<u>\$ 67,572</u>
Capital Projects:	General	
General	Special Revenue:	\$ 84,652
	Road Use Tax	45,465
	Urban Renewal Tax Increment	111,107
		<u>\$ 241,224</u>
Debt Service	Special Revenue:	
	Road Use Tax	\$ 110,189
	Urban Renewal Tax Increment	528,834
	Enterprise:	
	Water Utility	172,000
	Wastewater Utility	177,388
		<u>\$ 988,411</u>
Enterprise:	General	
Water Utility		<u>\$ 5,000</u>
Wastewater Utility	Special Revenue:	
	Local Option Sales Tax	<u>\$ 112,315</u>

City of Maquoketa

Notes to Financial Statements

NOTE 8. Interfund Transfers (Continued)

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Internal Service Fund: Employee Health	General	\$ 17,817
	Special Revenue: Employee Benefits	218,678
		<u>\$ 236,495</u>
	TOTAL	<u>\$ 2,690,901</u>

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

NOTE 9. Related Party Transactions

During the year ended June 30, 2011, the City had no business transactions between the City and City officials.

NOTE 10. Risk Management

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

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

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

City of Maquoketa

Notes to Financial Statements

NOTE 11. Deficit Fund Balance

The Housing Assistance Program fund had a deficit fund balance in the amount of \$51,344 at June 30, 2011. The City will be receiving grant money, donations, and transfer funds to eliminate this deficit fund balance.

NOTE 12. Construction in Progress

The City has entered into various construction contracts totaling approximately \$2,597,640. The unpaid contract balances as of June 30, 2011, totaled approximately \$123,343, which will be paid as work on the projects progress.

NOTE 13. Economic Development Loan and Subsequent Event

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. The loan was forgiven subsequent to June 30, 2011.

NOTE 14. 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, 2011, was \$220,917. The City's obligation under these agreements for the fiscal year 2012 will not exceed \$241,995.

City of Maquoketa

Notes to Financial Statements

NOTE 14. Development Agreements (Continued)

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 15. Lease Agreements

1. The City is a party to several operating leases. The leases are with various local companies and individuals for T-hangars and B-cap spaces at the municipal airport. The leases are on a month-to-month basis. The City charges \$80 per T-hangar and \$70 per B-cap space per month.
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, 2009, through June 30, 2012, and requires rental payments of \$297 and \$264 per month, respectively. The tenant is to pay all separately metered utilities, as well as \$20 per month to the City for heating and maintenance for the lobby and public restrooms.

NOTE 16. General Fund Cash Balance

The June 30, 2011 ending cash balance (the balance carried at financial institutions, reconciled for deposits in transit and outstanding checks) for the General Fund was \$2,918,401, 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	\$ 796,161
YMCA Operating Acct.	002	7,361
K-9 Fund	006	98
Rehab	014	11,532
Insurance Reserve	019	179,556
Library	031	113,757
Library Corporation	032	2,014,605
Historic Preservation	067	5,039
Historic Preservation	069	7,290
Airport	660	(216,998)
	TOTAL	<u>\$ 2,918,401</u>

City of Maquoketa

Notes to Financial Statements

NOTE 17. 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. The City and the YMCA renewed the agreement on July 1, 2010, for a term of an additional five years, with an option to extend the agreement for an additional term of five years at the option of the YMCA. Under the terms of the agreement, the City shall provide to the YMCA support in an amount to be determined annually, and to be mutually agreed upon by both parties.

NOTE 18. New Governmental Accounting Standards Board (GASB) Standards

GASB has issued several statements not yet implemented by the City that will affect the City's financial statements, as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010 will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could on be found in certain FASB and AICPA pronouncements.

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

NOTE 19. Date of Management's Review

Subsequent events have been evaluated through March 14, 2012, 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	\$ 2,084,517	\$ -	\$ -
Tax Increment Financing Collections	1,497,040	-	-
Other City Tax	680,920	-	-
Licenses and Permits	21,828	-	-
Use of Money and Property	291,836	9,572	304
Intergovernmental	1,490,636	-	-
Charges for Service	506,896	1,767,807	102,844
Miscellaneous	1,008,873	9,528	-
Total Receipts	<u>7,582,546</u>	<u>1,786,907</u>	<u>103,148</u>
Disbursements:			
Public Safety	1,097,404	73,308	73,308
Public Works	1,630,059	108,891	108,891
Culture and Recreation	1,262,872	84,362	84,362
Community and Economic Development	570,734	38,126	38,126
General Government	576,463	38,509	38,509
Debt Service	2,876,002	-	-
Capital Projects	255,875	-	-
Business Type Activities	-	1,192,457	-
Total Disbursements	<u>8,269,409</u>	<u>1,535,653</u>	<u>343,196</u>
Excess (Deficiency) of Receipts over (under) Disbursements	(686,863)	251,254	(240,048)
Other Financing Sources, Net	<u>1,897,117</u>	<u>(149,335)</u>	<u>236,495</u>
Excess (Deficiency) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	1,210,254	101,919	(3,553)
Balances, Beginning of Year	<u>4,877,379</u>	<u>1,695,991</u>	<u>138,331</u>
Balances, End of Year	<u>\$ 6,087,633</u>	<u>\$ 1,797,910</u>	<u>\$ 134,778</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 2,084,517	\$ 1,963,269	\$ 1,963,269	\$ 121,248
1,497,040	1,765,568	1,765,568	(268,528)
680,920	663,359	680,701	219
21,828	11,465	11,465	10,363
301,104	251,872	271,202	29,902
1,490,636	2,333,797	3,059,730	(1,569,094)
2,171,859	2,305,637	2,330,837	(158,978)
1,018,401	789,146	873,612	144,789
<u>9,266,305</u>	<u>10,084,113</u>	<u>10,956,384</u>	<u>(1,690,079)</u>
1,097,404	1,106,440	1,174,265	76,861
1,630,059	2,481,733	2,506,733	876,674
1,262,872	1,530,027	1,729,327	466,455
570,734	505,869	770,469	199,735
576,463	452,257	616,657	40,194
2,876,002	1,155,161	2,916,003	40,001
255,875	223,830	364,830	108,955
1,192,457	1,622,218	1,667,218	474,761
<u>9,461,866</u>	<u>9,077,535</u>	<u>11,745,502</u>	<u>2,283,636</u>
(195,561)	1,006,578	(789,118)	593,557
<u>1,511,287</u>	<u>-</u>	<u>1,815,556</u>	<u>(304,269)</u>
1,315,726	1,006,578	1,026,438	289,288
<u>6,435,039</u>	<u>6,034,760</u>	<u>6,034,760</u>	<u>400,279</u>
<u>\$ 7,750,765</u>	<u>\$ 7,041,338</u>	<u>\$ 7,061,198</u>	<u>\$ 689,567</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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$872,271 and increased budgeted disbursements by \$2,667,967. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, 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, 2011

	Special Revenue		
	GREAT	Bi-Centennial	Economic Development Revolving
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Use of Money and Property	-	-	1,216
Intergovernmental	-	-	-
Miscellaneous	-	84	-
Total Receipts	-	84	1,216
Disbursements:			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	-	84	1,216
Other Financing Sources (Uses):			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Cash Balances	-	84	1,216
Cash Balances, Beginning of Year	153	1,618	189,730
Cash Balances, End of Year	\$ 153	\$ 1,702	\$ 190,946
Cash Basis Fund Balances			
Restricted for Other Purposes	\$ 153	\$ 1,702	\$ 190,946
Unassigned	-	-	-
Total Cash Basis Fund Balance	\$ 153	\$ 1,702	\$ 190,946

Schedule 1

<u>Housing Assistance Program</u>	<u>Employee Benefits</u>	<u>Police Forfeiture</u>	<u>Local Option Sales Tax</u>	<u>Hooked on Fishing</u>
\$ -	\$ 474,335	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	449,259	-
-	-	12	-	-
-	-	-	-	-
180,860	-	229	-	1,245
<u>180,860</u>	<u>474,335</u>	<u>241</u>	<u>449,259</u>	<u>1,245</u>
-	68,867	1,016	-	-
-	58,938	-	-	-
-	31,029	-	-	-
113,698	-	-	-	-
-	31,518	-	-	944
-	-	-	-	-
-	-	-	-	-
<u>113,698</u>	<u>190,352</u>	<u>1,016</u>	<u>-</u>	<u>944</u>
<u>67,162</u>	<u>283,983</u>	<u>(775)</u>	<u>449,259</u>	<u>301</u>
-	-	-	-	-
-	-	-	-	-
-	(244,428)	-	(449,259)	-
-	(244,428)	-	(449,259)	-
67,162	39,555	(775)	-	301
(118,506)	42,346	5,304	-	383
<u>\$ (51,344)</u>	<u>\$ 81,901</u>	<u>\$ 4,529</u>	<u>\$ -</u>	<u>\$ 684</u>
\$ (51,344)	\$ 81,901	\$ 4,529	\$ -	\$ 684
-	-	-	-	-
<u>\$ (51,344)</u>	<u>\$ 81,901</u>	<u>\$ 4,529</u>	<u>\$ -</u>	<u>\$ 684</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, 2011

	Capital Projects				Total
	ARC	Industrial Park	Library	Airport	
Receipts:					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 474,335
Tax Increment Financing Collections	-	-	-	-	-
Other City Tax	-	-	-	-	449,259
Use of Money and Property	-	-	-	453	1,681
Intergovernmental	-	-	-	-	-
Miscellaneous	374,500	-	1,335	-	558,253
Total Receipts	374,500	-	1,335	453	1,483,528
Disbursements:					
Operating:					
Public Safety	-	-	-	-	69,883
Public Works	-	-	-	-	58,938
Culture and Recreation	-	-	-	-	31,029
Community and Economic Development	-	-	-	-	113,698
General Government	-	-	-	-	32,462
Debt Service	-	-	-	-	-
Capital Projects	414	290	1,335	-	2,039
Total Disbursements	414	290	1,335	-	308,049
Excess (Deficiency) of Receipts Over (Under) Disbursements	374,086	(290)	-	453	1,175,479
Other Financing Sources (Uses):					
Bond Proceeds	-	-	-	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(414,130)	-	-	(43,092)	(1,150,909)
Total Other Financing Sources (Uses)	(414,130)	-	-	(43,092)	(1,150,909)
Net Change in Cash Balances	(40,044)	(290)	-	(42,639)	24,570
Cash Balances, Beginning of Year	40,044	17,498	31	100,776	279,377
Cash Balances, End of Year	<u>\$ -</u>	<u>\$ 17,208</u>	<u>\$ 31</u>	<u>\$ 58,137</u>	<u>\$ 303,947</u>
Cash Basis Fund Balances:					
Restricted for Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ 228,571
Unassigned	-	17,208	31	58,137	75,376
Total Cash Basis Fund Balance	\$ -	\$ 17,208	\$ 31	\$ 58,137	\$ 303,947

**City of Maquoketa
Schedule of Indebtedness
Year Ended June 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
2005A Refunding Capital Loan Notes	August 10, 2005	2.75% - 3.90%	\$ 2,095,000
2006A Capital Loan Notes	March 1, 2006	3.55% - 4.00%	515,000
2011A Capital Loan Notes	April 1, 2011	2.00%	1,740,000
Capital Loan Notes	August 1, 2007	4.45%	1,600,000
Capital Loan Notes	October 15, 2009	3.10%	330,000
Total			<u>\$ 6,280,000</u>
Revenue Bonds:			
Parking Lot	December 1, 1967	3.50%	\$ 221,000
Total			<u>\$ 221,000</u>
General Obligation Notes:			
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>\$ 3,390,000</u>
Revenue Notes:			
Sewer	May 3, 2002	3.00%	\$ 2,500,000
Water	June 13, 2005	3.00%	2,500,000
Sewer	February 10, 2010	3.00%	138,000
Sewer	February 10, 2010	3.00%	34,000
Total			<u>\$ 5,172,000</u>
Jet Fuel Tank Contract	July 1, 2007	9.50%	<u>\$ 45,789</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
\$ 1,790,000	\$ -	\$ 1,790,000	\$ -	\$ 64,860	\$ -
45,000	-	45,000	-	1,492	-
-	1,740,000	-	1,740,000	-	-
1,329,884	-	29,884	1,300,000	59,178	-
330,000	-	62,000	268,000	10,230	-
<u>\$ 3,494,884</u>	<u>\$ 1,740,000</u>	<u>\$ 1,926,884</u>	<u>\$ 3,308,000</u>	<u>\$ 135,760</u>	<u>\$ -</u>
<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ 135,745	\$ -
425,000	-	425,000	-	19,420	-
<u>\$ 2,925,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ 2,500,000</u>	<u>\$ 155,165</u>	<u>\$ -</u>
\$ 1,988,687	\$ 313	\$ 73,000	\$ 1,916,000	\$ 58,566	\$ -
2,110,000	-	105,000	2,005,000	61,725	-
108,931	7,069	5,000	111,000	3,241	-
34,000	-	-	34,000	-	-
<u>\$ 4,241,618</u>	<u>\$ 7,382</u>	<u>\$ 183,000</u>	<u>\$ 4,066,000</u>	<u>\$ 123,532</u>	<u>\$ -</u>
<u>\$ 34,514</u>	<u>\$ -</u>	<u>\$ 34,514</u>	<u>\$ -</u>	<u>\$ 9,158</u>	<u>\$ -</u>
<u>\$ 200,261</u>	<u>\$ -</u>	<u>\$ 34,107</u>	<u>\$ 166,154</u>	<u>\$ 9,497</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report

City of Maquoketa
Schedule of Bond and Note Maturities
Year Ended June 30, 2011

General Obligation Notes

Year Ending June 30,	2011A Refunding CLN		CLN	
	Issued April 1, 2011		Issued August 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2012	2.00%	\$ 510,000	4.45%	\$ 100,000
2013	2.00%	520,000	4.45%	100,000
2014	2.00%	515,000	4.45%	100,000
2015	2.00%	195,000	4.45%	125,000
2016		-	4.45%	125,000
2017		-	4.45%	125,000
2018		-	4.45%	125,000
2019		-	4.45%	125,000
2020		-	4.45%	125,000
2021		-	4.45%	125,000
2022		-	4.45%	125,000
2023		-		-
2024		-		-
2025		-		-
2026		-		-
2027		-		-
2028		-		-
2029		-		-
Total		<u>\$1,740,000</u>		<u>\$ 1,300,000</u>

Revenue Notes

Year Ending June 30,	Sewer		Water		Sewer	
	Issued May 3, 2002		Issued June 13, 2005		Issued February 10, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.00%	\$ 76,000	3.00%	\$ 108,000	3.00%	\$ 5,000
2013	3.00%	78,000	3.00%	111,000	3.00%	6,000
2014	3.00%	80,000	3.00%	114,000	3.00%	6,000
2015	3.00%	83,000	3.00%	118,000	3.00%	6,000
2016	3.00%	85,000	3.00%	121,000	3.00%	6,000
2017	3.00%	205,000	3.00%	125,000	3.00%	6,000
2018	3.00%	211,000	3.00%	129,000	3.00%	6,000
2019	3.00%	218,000	3.00%	133,000	3.00%	7,000
2020	3.00%	224,000	3.00%	136,000	3.00%	7,000
2021	3.00%	231,000	3.00%	141,000	3.00%	7,000
2022	3.00%	238,000	3.00%	145,000	3.00%	7,000
2023	3.00%	187,000	3.00%	149,000	3.00%	8,000
2024		-	3.00%	154,000	3.00%	8,000
2025		-	3.00%	158,000	3.00%	8,000
2026		-	3.00%	163,000	3.00%	8,000
2027		-		-	3.00%	10,000
2028		-		-		-
2029		-		-		-
Total		<u>\$ 1,916,000</u>		<u>\$ 2,005,000</u>		<u>\$ 111,000</u>

Schedule 3

**City of Maquoketa
Schedule of Bond and Note Maturities (Continued)
Year Ended June 30, 2011**

Year Ending June 30,	General Obligation Notes			Revenue Bond	
	Corporate Purpose			Parking Lot	
	Issued June 1, 2001			Issued December 1, 1967	
	Interest Rates	Amount	Total	Interest Rates	Amount
2012		\$ -	\$ -	3.50%	\$ 2,000
2013		-	-		-
2014		-	-		-
2015	5.35%	730,000	730,000		-
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		-	-		-
2027		-	-		-
2028		-	-		-
2029		-	-		-
Total		\$2,500,000	\$ 2,500,000		\$ 2,000

Year Ending June 30,	Equipment Capital Lease			Year Ending June 30,	Total Maturities
	Interest Rates	Amount			
Issued September 15, 2008					
2012	5.14%	\$ 35,900		2012	\$ 901,900
2013	5.14%	37,791		2013	919,791
2014	5.14%	39,780		2014	923,780
2015	5.14%	41,874		2015	1,369,874
2016	5.14%	10,809		2016	1,109,809
2017		-		2017	1,273,000
2018		-		2018	673,000
2019		-		2019	485,000
2020		-		2020	494,000
2021		-		2021	506,000
2022		-		2022	517,000
2023		-		2023	346,000
2024		-		2024	164,000
2025		-		2025	168,000
2026		-		2026	173,000
2027		-		2027	12,000
2028		-		2028	2,000
2029		-		2029	4,000
Total		\$ 166,154		Total	\$10,042,154

See Accompanying Independent Auditor's Report

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:			
Property Tax	\$ 2,084,517	\$ 2,028,557	\$ 1,972,089
Tax Increment Financing Collections	1,497,040	1,597,006	526,248
Other City Tax	680,920	661,037	652,976
Licenses and Permits	21,828	13,276	11,456
Use of Money and Property	291,836	254,500	323,226
Intergovernmental	1,490,636	1,289,030	1,797,377
Charges for Services	506,896	706,261	658,759
Miscellaneous	1,008,873	1,151,175	1,668,067
Total	<u><u>\$ 7,582,546</u></u>	<u><u>\$ 7,700,842</u></u>	<u><u>\$ 7,610,198</u></u>
Disbursements:			
Operating:			
Public Safety	\$ 1,097,404	\$ 1,033,300	\$ 1,165,820
Public Works	1,630,059	1,619,585	1,084,200
Culture and Recreation	1,262,872	1,662,179	1,601,928
Community and Economic Development	570,734	732,362	499,295
General Government	576,463	443,152	438,564
Debt Service	2,876,002	1,081,752	2,346,690
Capital Projects	255,875	218,783	668,763
Total	<u><u>\$ 8,269,409</u></u>	<u><u>\$ 6,791,113</u></u>	<u><u>\$ 7,805,260</u></u>

Schedule 4

2008	2007	2006	2005
\$ 1,587,970	\$ 1,561,520	\$ 1,570,993	\$ 1,363,341
557,245	537,118	385,423	394,665
645,247	630,453	568,625	448,731
11,836	12,715	9,456	11,440
322,262	253,697	190,391	98,006
1,168,127	2,316,568	1,357,464	1,127,836
615,265	192,288	162,455	180,297
944,943	2,034,139	533,621	851,524
\$ 5,852,895	\$ 7,538,498	\$ 4,778,428	\$ 4,475,840
\$ 2,190,757	\$ 1,069,364	\$ 1,154,914	\$ 880,321
2,337,283	1,423,881	840,013	827,605
1,309,770	495,333	537,154	534,748
161,683	408,563	808,912	324,020
723,448	408,756	420,039	608,647
999,929	936,785	814,281	661,767
2,126,877	4,596,185	833,503	258,254
\$ 9,849,747	\$ 9,338,867	\$ 5,408,816	\$ 4,095,362

See Accompanying Independent Auditor's Report

City of Maquoketa
Additional Information Required by the
Sewer Revenue Bond Resolution
June 30, 2011
(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 #8A5-19-34-11	Property Inland Marine General Liability Business Auto Umbrella Excess Employee Dishonesty Linebacker Crime Commercial Output Law Enforcement Liability	\$ 41,826,646 1,059,908 1,000,000 1,000,000 4,000,000 310,000 1,000,000 30,000 36,905,704 1,000,000	4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012 4/1/2012
Travelers Group Hartford, Connecticut Policy # M5J-BME1-702X7309-TIL-10	Sewage & Water Treatment & Distribution	\$ 9,000,000	1/1/2012
Old Republic Insurance Company Greensburg, Pennsylvania Policy # PR 227807	Airport Owners and Liability	\$ 2,000,000	1/1/2012
Nationwide Bethesda, Maryland Policy #5050326247, #5050326239, #5050326254	Flood Insurance Program	\$ 291,500	4/4/2012
VFIS A Division of Glatfelter Insurance Group York, Pennsylvania Policy #VFP 4316-3502D-0	Maquoketa Volunteer Fire Dept. & Rescue Squad	\$ 100,000	1/1/2012
Iowa Municipalities Workers' Compensation Assoc. Des Moines, Iowa Policy #1075-1011	Workers' Compensation Coverage	\$ 2,000,000	7/1/2011

Rate and Number of Users of the System:

User Charges - The minimum sewer charge per month shall be \$21.75 up to 300 cubic feet.

Over 300 cubic feet the charge is \$1.42 per 100 cubic feet as determined in ordinance 867.

Number of Users - The City has approximately 2,480 users.

City of Maquoketa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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 #3-19-0055-03	\$ 47,808
Airport Improvement Program	20.106	AIP #3-19-0055-04	11,776
Airport Improvement Program	20.106	AIP #3-19-0055-06	39,617
Airport Improvement Program	20.106	AIP #3-19-0055-05	103,022
			<u>202,223</u>
U.S. Department of Agriculture:			
Rural Development Community Facilities Loans and Grants	10.766	16-049-42604922	1,700
Total Direct			<u>203,923</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
HOME Investment Partnership Programs	14.239	08-HM-113-69	63,367
Community Development Block Grants	14.228	10-HSG-069	46,157
			<u>109,524</u>
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036	097-79215-00	68,754
Disaster Grants - Public Assistance	97.036	097-49215-00	39,018
			<u>107,772</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Clean Water State Revolving Fund Loans	66.458	CS-192476-01	7,069
U.S. Department of Energy:			
Office of Energy Independence:			
Energy Efficiency and Conservation Block Grant Program	81.128	EECBG 10-3315	50,720
State Energy Program	81.041	SEP 09-088	2,314
			<u>53,034</u>
U.S. Forest Service:			
Iowa Department of Natural Resources			
Volunteer Fire Assistance Grant	10.664	P008-10	1,199

(Continued)

City of Maquoketa
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- Through Number</u>	<u>Program Expenditures</u>
Indirect (Continued):			
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-4742(616)--8V-49	\$ 10,530
Iowa Department of Public Safety/Governor's			
Traffic Safety Bureau:			
Occupant Protection	20.602	PAP 10-406, Task 108	4,500
Occupant Protection	20.602	PAP 11-03, Task 0514	4,500
			<u>9,000</u>
ARRA - State Fiscal Stabilisation Fund--			
Government Services, Recovery Act:			
Iowa Department of Transportation:			
I-JOBS Local Street and Road Funding	84.397	S397A090016A	7,298
Total Indirect			<u>305,426</u>
Total			<u>\$ 509,349</u>

City of Maquoketa

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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, 2011, which collectively comprises the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Maquoketa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2011, 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 14, 2012



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

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

Compliance

We have audited the compliance of the City of Maquoketa, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2011. The City of Maquoketa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal programs is the responsibility of the City of Maquoketa's management. Our responsibility is to express an opinion on the City of Maquoketa's compliance based on our audit.

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

In our opinion, the City of Maquoketa complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

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, and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 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.

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

Dubuque, Iowa
March 14, 2012

City of Maquoketa

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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. Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- 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 programs were as follows:
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
 - CFDA Number 81.128 – Energy Efficiency and Conservation Block Grant Program (EECBG)
 - CFDA Number 81.041 – State Energy Program
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Maquoketa did not qualify as a low-risk auditee.

Part II. Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Internal Control Deficiencies:

II-A-11 **Segregation of Duties:** One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one employee has the ability to enter cash receipts, collect cash, make deposits, make entries to the general ledger, and sign checks.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response acknowledged.

II-B-11 **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.

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.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Part III. Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 20.106: Airport Improvement Program
Pass-through Agency Number: AIP #3-19-0055-03; AIP #3-19-0055-04; AIP #3-19-0055-05;
AIP#3-19-0055-06

Federal Aviation Administration

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Pass-through Agency Number: 097-79215-00; 097-49215-00
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

CFDA Number 81.128: Energy Efficiency and Conservation Block Grant Program (EECBG)
Pass-through Agency Number: EECBG 10-3315
U.S. Department of Energy
Passed through the Office of Energy Independence

CFDA Number 81.041: State Energy Program
Pass-through Agency Number: SEP 09-088
U.S. Department of Energy
Passed through the Office of Energy Independence

III-A-11 **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-11.

Part IV: Other Findings Related to Statutory Reporting

IV-A-11 **Certified Budget**: Disbursements did not exceed budget for the year ended June 30, 2011, which is in compliance with Chapter 384.20 of the Code of Iowa.

IV-B-11 **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.

City of Maquoketa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

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

- IV-C-11 **Travel Expense:** No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-11 **Business Transactions:** No business transactions between the City and City officials or employees were noted.
- IV-E-11 **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-11 **Council Minutes:** No transactions were found that we believe should have been approved in the Council minutes, but were not.
- IV-G-11 **Deposits and Investments:** No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-11 **Revenue Bonds:** We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.
- IV-I-11 **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-11 **Financial Condition:** The Housing Assistance Program fund had a deficit balance at June 30, 2011, totaling \$51,344.

Recommendation: The City should investigate alternatives to eliminate this deficit in order to return this fund to sound financial position.

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

Conclusion: Response accepted.