

CITY OF QUASQUETON

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

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City of Quasqueton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Bossom	Mayor	January 2012
Mark Biggs	Council Member	January 2012
Annette Mausser	Council Member	January 2012
Shelia Payne	Council Member	January 2014
Carrie Chesmore	Council Member	January 2014
Ben Stanford	Council Member	January 2014
Anita Arnold	City Clerk	
James Peters	City Attorney	

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 Quasqueton, 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 City of Quasqueton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 our audit provides 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 Quasqueton 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 February 9, 2012 on our consideration of the City of Quasqueton'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 on 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.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 24 through 26 are not required parts of the basic financial statements, but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Quasqueton's basic financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

February 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Quasqueton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities for fiscal year ending 2011 were as follows; General funds of \$228,240, Road Use Funds in amount of \$62,802 and TIF and other Governmental Funds of \$558,612. Total Funds amount of \$849,654.
- Governmental disbursements for fiscal year 2011 general fund was \$162,606, Road Use Fund was \$83, 312, Capital Project expenses for Water Project was \$511,480 and other Nonmajor Governmental Funds of \$47,301 for Grand Total of \$804,669 for Total Disbursements.
- The City's total cash basis net assets increased \$51,454 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased by \$31,298.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund (CDBG Water Project). The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four major Enterprise Funds to provide separate information for the sewer and garbage funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Receipts, Disbursements and Changes in Balance of Governmental Activities

	<u>Governmental Funds</u>
Receipts:	
Property Tax	\$ 116,315
Tax increment financing collections	7,973
Other city tax	46,180
Licenses and permits	1,080
Use of money and property	13,834
Intergovernmental	623,266
Charges for service	33,525
Miscellaneous	<u>7,481</u>
Total receipts & transfers	849,654
Disbursements:	
Public Safety	33,708
Public Works	114,341
Health and social services	0
Culture and recreation	26,203
Community & economic development	4,686
General government	66,960
Debt Service	7,915
Capital projects	<u>550,886</u>
Total disbursements	804,699
Excess of receipts over disbursements	44,955
Other financing sources (net)	6,499
Excess of receipts and other financing sources Over disbursements and other financing uses	51,454
Cash basis assets beginning of year	90,678
Cash basis assets end of year	<u>\$142,132</u>

Cash Basis Net Assets of Business Type Activities

Business Type Funds

Receipts:

Use of money and property	1,389
Charges for service	<u>67,908</u>
Total receipts & transfers	69,297

Disbursements:

Business type activities	94,096
Excess of receipts over disbursements	-24,799
Other financing sources/uses (net)	-6,499
Excess of receipts and other financing sources Over disbursements and other financing uses	-31,298
Cash basis assets beginning of year	135,804
Cash basis assets end of year	<u>\$104,506</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Quasqueton completed the year, its governmental funds reported a combined fund balance of \$142,132 an increase over last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance after disbursements was \$51,454.
- There was increase of Local Option Sales Tax and Road Use Tax Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- Increase in Garbage Funds due to City Ordinance 106.8 allowing higher fees for increased fuel surcharge when separate resolution was approved by City Council in February 2011.

BUDGETARY HIGHLIGHTS

On 11/2/11 City paid off Loan Agreement entered by the City for purpose of providing funds to pay the cost of constructing repairs to the City Hall and Fire Station.

DEBT ADMINISTRATION

On June 30, 2011, the City had \$402,937 in bonds and other long-term debt, compared to \$446,245 last year, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	<u>2011</u>	<u>2010</u>
General obligation bonds & notes	20,937	35,245
Revenues bonds (Sewer)	<u>382,000</u>	<u>411,000</u>
Total	\$ <u>402,937</u>	\$ <u>446,245</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anita Arnold, City Clerk, 113 N Water Street, PO Box 15, Quasqueton, IA 52326. Phone #319-934-3340.

City of Quasqueton

Basic Financial Statements

City of Quasqueton

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:				
Governmental activities:				
Public safety	\$ 33,708	-	-	-
Public works	114,341	33,525	51,706	-
Health and social services	-	-	-	-
Culture and recreation	26,203	13,294	-	-
Community and economic development	4,686	300	-	-
General government	66,960	1,080	9,825	-
Debt service	7,915	-	-	-
Capital projects	550,886	-	-	561,735
Total governmental activities	804,699	48,199	61,531	561,735
Business type activities:				
Sewer	94,096	67,908	-	-
Total business type activities	94,096	67,908	-	-
Total	\$ 898,795	116,107	61,531	561,735
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Other city tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
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				
Expendable:				
Streets				
Urban renewal projects				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(33,708)	-	(33,708)
(29,110)	-	(29,110)
-	-	-
(12,909)	-	(12,909)
(4,386)	-	(4,386)
(56,055)	-	(56,055)
(7,915)	-	(7,915)
10,849	-	10,849
<u>(133,234)</u>	<u>-</u>	<u>(133,234)</u>
-	(26,188)	(26,188)
-	(26,188)	(26,188)
<u>(133,234)</u>	<u>(26,188)</u>	<u>(159,422)</u>
116,315	-	116,315
7,973	-	7,973
-	-	-
42,817	-	42,817
3,363	-	3,363
240	1,389	1,629
7,481	-	7,481
6,499	(6,499)	-
<u>184,688</u>	<u>(5,110)</u>	<u>179,578</u>
51,454	(31,298)	20,156
90,678	135,804	226,482
<u>\$ 142,132</u>	<u>104,506</u>	<u>246,638</u>
\$ (419)	-	(419)
59	-	59
12,844	-	12,844
(227)	57,792	57,565
<u>129,875</u>	<u>46,714</u>	<u>176,589</u>
<u>\$ 142,132</u>	<u>104,506</u>	<u>246,638</u>

City of Quasqueton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2011

	General	Special Revenue Road Use Fund	Debt Service	Capital Project CDBG Water Project	Other Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 116,315	-	-	-	-	116,315
Tax increment financing collections	-	-	-	-	7,973	7,973
Other city tax	46,180	-	-	-	-	46,180
Licenses and permits	1,080	-	-	-	-	1,080
Use of money and property	13,834	-	-	-	-	13,834
Intergovernmental	9,825	62,802	-	511,480	39,159	623,266
Charges for service	33,525	-	-	-	-	33,525
Miscellaneous	7,481	-	-	-	-	7,481
Total receipts	228,240	62,802	-	511,480	47,132	849,654
Disbursements:						
Operating:						
Public safety	33,708	-	-	-	-	33,708
Public works	31,029	83,312	-	-	-	114,341
Health and social services	-	-	-	-	-	-
Culture and recreation	26,203	-	-	-	-	26,203
Community and economic development	1,636	-	-	-	3,050	4,686
General government	66,960	-	-	-	-	66,960
Debt service	-	-	-	-	7,915	7,915
Capital projects	3,070	-	-	511,480	36,336	550,886
Total disbursements	162,606	83,312	-	511,480	47,301	804,699
Excess (deficiency) of receipts over (under) disbursements	65,634	(20,510)	-	-	(169)	44,955
Other financing sources (uses):						
Operating transfers in	6,499	-	-	-	-	6,499
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	6,499	-	-	-	-	6,499
Net change in cash balances	72,133	(20,510)	-	-	(169)	51,454
Cash balances beginning of year	57,742	20,091	12,844	-	1	90,678
Cash balances end of year	\$ 129,875	(419)	12,844	-	(168)	142,132
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	-	12,844	-	-	12,844
Unreserved:						
General fund	129,875	-	-	-	-	129,875
Special revenue funds	-	(419)	-	-	-	(419)
Capital projects fund	-	-	-	-	(168)	(168)
Total cash basis fund balances	\$ 129,875	(419)	12,844	-	(168)	142,132

See notes to financial statements

City of Quasqueton

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 balances (page 15) \$ 142,132

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 14) \$ 142,132

Net change in cash balances (page 15) \$ 51,454

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of governmental activities (page 14) \$ 51,454

See notes to financial statements

City of Quasqueton
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise Funds		
	Sewer	Sewer Reserve	Total
Operating receipts:			
Use of money and property	\$ 1,389	-	1,389
Charges for service	67,908	-	67,908
Miscellaneous	-	-	-
Total operating receipts	<u>69,297</u>	<u>-</u>	<u>69,297</u>
Operating disbursements:			
Business type activities	94,096	-	94,096
Total operating disbursements	<u>94,096</u>	<u>-</u>	<u>94,096</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(24,799)</u>	<u>-</u>	<u>(24,799)</u>
Non-operating receipts (disbursements):			
Miscellaneous	-	-	-
Debt service	-	-	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(24,799)</u>	<u>-</u>	<u>(24,799)</u>
Operating transfers in/(out)	<u>-</u>	<u>(6,499)</u>	<u>(6,499)</u>
Net change in cash balances	<u>(24,799)</u>	<u>(6,499)</u>	<u>(31,298)</u>
Cash balances beginning of year	<u>71,513</u>	<u>64,291</u>	<u>135,804</u>
Cash balances end of year	<u>\$ 46,714</u>	<u>57,792</u>	<u>104,506</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	57,792	57,792
Unrestricted	<u>46,714</u>	<u>-</u>	<u>46,714</u>
Total cash basis fund balances	<u>\$ 46,714</u>	<u>57,792</u>	<u>104,506</u>

See notes to financial statements

City of Quasqueton

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 balances (page 17) \$ 104,506

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of business type activities (page 14) \$ 104,506

Net change in cash balances (page 17) \$ (31,298)

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of business type activities (page 14) \$ (31,298)

See notes to financial statements

City of Quasqueton

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Quasqueton is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1842 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, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Quasqueton 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City 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. The City has a 28E agreement with Liberty Township for fire protection.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

Restricted net assets 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 that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

The Special Revenue – Road Use Fund is used for tracking road construction and maintenance.

The Debt Service Fund is utilized to account for proceeds of, and the payment of interest and principal on the City's general long-term debt.

The Capital Projects - CDBG Water Project Fund is used to account for expenditures during 2010 and 2011 for bringing rural water to the City.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's Sewer utility system.

C. Measurement Focus and Basis of Accounting

The City of Quasqueton 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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 disbursements exceeded the amounts budgeted in the public works, general government, and capital projects functions.

(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 insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$ 151,724</u>	<u>\$ 151,724</u>	Various

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	Revenue Bond		General Obligation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	30,000	11,460	17,150	730	47,150	12,190
2013	31,000	10,560	3,787	230	34,787	10,790
2014	32,000	9,630	-	-	32,000	9,630
2015	32,000	8,670	-	-	32,000	8,670
2016	33,000	7,710	-	-	33,000	7,710
2017 - 2022	224,000	24,120	-	-	224,000	24,120
Total	<u>\$ 382,000</u>	<u>72,150</u>	<u>20,937</u>	<u>960</u>	<u>402,937</u>	<u>73,110</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$10,540 of principal and interest was paid from the General Fund during the year.

Revenue Notes

The City has pledged future sewer customer net revenues to repay \$614,000 of sewer revenue bonds issued in July 2002. Proceeds from the bonds provided financing for the construction of sewer improvements. The bonds are payable solely from sewer customer net revenues and are payable through 2022. The total principal and interest remaining to be paid on the notes is \$454,150. For the current year, principal and interest paid were \$41,330. The sewer revenue bonds contain a provision that the City is required to deposit \$9,500 annually into a Sewer Revenue Bond Reserve Fund. As of June 30, 2011 the City is in compliance with this provision.

During the year the City loaned \$6,499 from the Sewer Revenue Bond Reserve fund to the General fund for the purchase of a new lawn mower. As of July 2011, the \$6,499 loan was paid in full.

During the year ended June 30, 2010 the City loaned \$23,638.01 from the Sewer Revenue Bond Reserve fund to the General fund for a new generator. The General fund is making annual principal and interest payments of \$3,000 back to the Reserve fund. During the year ended June 30, 2011, no principal or interest payment was made and the balance of this interfund loan was \$21,209.31.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (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 covered salary and the City is required to contribute 6.95% of covered salary. Contribution

requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011 were \$3,381, equal to the required contributions for the year.

(5) Other Postemployment Benefits (OPEB)

The City Council approved in their minutes on October 21, 2010 to fund a single health insurance premium for the public works director who is the only full time employee of the City. As of June 30, 2011 the employee had not pursued health insurance coverage.

(6) Compensated Absences

One full time City employee accumulates a limited amount of earned but unused vacation. Vacation leave is for subsequent use or for payment upon termination, retirement or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to the employee at June 30, 2011 was \$960. This liability has been computed based on the rate of pay in effect at June 30, 2011.

(7) Interfund Transfers

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

Transfer from	Transfer to	Amount
Sewer Reserve	General	\$ 6,499

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

(8) Related Party Transactions

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

(9) Risk Management

The City 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.

(10) Subsequent Event

There were no subsequent events.

Required Supplementary Information

City of Quasqueton

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	\$ 116,315	-	-
Tax increment financing collections	7,973	-	-
Other city tax	46,180	-	-
Licenses and permits	1,080	-	-
Use of money and property	13,834	1,389	-
Intergovernmental	623,266	-	-
Charges for service	33,525	67,908	-
Miscellaneous	7,481	-	-
Total receipts	849,654	69,297	-
Disbursements:			
Public safety	33,708	-	-
Public works	114,341	-	-
Health and social services	-	-	-
Culture and recreation	26,203	-	-
Community and economic development	4,686	-	-
General government	66,960	-	-
Debt service	7,915	-	-
Capital projects	550,886	-	-
Business type activities	-	94,096	-
Total disbursements	804,699	94,096	-
Excess (deficiency) of receipts over (under) disbursements	44,955	(24,799)	-
Other financing sources (uses), net	6,499	(6,499)	-
Excess of receipts and other financing sources over disbursements and other financing uses	51,454	(31,298)	-
Balances beginning of year	90,678	135,804	-
Balances end of year	\$ 142,132	104,506	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
116,315	113,310	113,310	3,005
7,973	6,675	6,675	1,298
46,180	44,990	44,990	1,190
1,080	1,000	1,000	80
15,223	15,000	15,000	223
623,266	66,295	66,295	556,971
101,433	101,000	101,000	433
7,481	-	-	7,481
918,951	348,270	348,270	570,681
33,708	36,353	36,353	2,645
114,341	114,298	114,298	(43)
-	800	800	800
26,203	28,350	28,350	2,147
4,686	8,398	8,398	3,712
66,960	61,320	61,320	(5,640)
7,915	11,050	11,050	3,135
550,886	-	-	(550,886)
94,096	104,883	104,883	10,787
898,795	365,452	365,452	(533,343)
20,156	(17,182)	(17,182)	37,338
-	-	-	-
20,156	(17,182)	(17,182)	37,338
226,482	189,387	189,387	37,095
246,638	172,205	172,205	74,433

City of Quasqueton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, 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 there were no budget amendments.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works, general government, and capital projects programs.

Other Supplementary Information

City of Quasqueton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2011

	Special Revenue		Capital Projects	Total
	Tax Increment Financing	I-JOBS Funds	Arch Rapids Dam	
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	7,973	-	-	7,973
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	3,050	36,109	39,159
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	7,973	3,050	36,109	47,132
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	3,050	-	3,050
General government	-	-	-	-
Debt Service	7,915	-	-	7,915
Capital projects	-	-	36,336	36,336
Total disbursements	7,915	3,050	36,336	47,301
Excess (deficiency) of receipts over (under) disbursements	58	-	(227)	(169)
Other financing sources:				
Operating transfers in/(out)	-	-	-	-
Loan proceeds	-	-	-	-
Net change in cash balances	58	-	(227)	(169)
Cash balances beginning of year	1	-	-	1
Cash balances end of year	\$ 59	-	(227)	(168)
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	-	-	-
Capital projects fund	59	-	(227)	(168)
Total cash basis fund balances	\$ 59	-	(227)	(168)

See accompanying independent auditor's report

Schedule 2

City of Quasqueton
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Refunding note	December 22, 2005	5.00%	\$ 38,775
Corporate Purpose Note	June 11, 2007	5.25%	50,000
Revenue bond:			
Sewer	July 12, 2002	3.00%	614,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 15,245	-	4,308	10,937	3,607	-
20,000	-	10,000	10,000	540	-
411,000	-	29,000	382,000	12,330	-
\$ 446,245	-	43,308	402,937	16,477	-

City of Quasqueton

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Note		General Obligation Note		Revenue Bond	
	Tax Increment Financing		Corporate Purpose		Sewer	
	Issued Dec 22, 2005		Issued Jan 11, 2007		Issued July 12, 2002	
	Interest		Interest		Interest	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	5.00%	\$ 7,150	5.25%	10,000	3.00%	30,000
2013	5.00%	3,787		-	3.00%	31,000
2014		-		-	3.00%	32,000
2015		-		-	3.00%	32,000
2016		-		-	3.00%	33,000
2017		-		-	3.00%	34,000
2018		-		-	3.00%	36,000
2019		-		-	3.00%	37,000
2020		-		-	3.00%	38,000
2021		-		-	3.00%	39,000
2022		-		-	3.00%	40,000
Total		<u>\$ 10,937</u>		<u>10,000</u>		<u>382,000</u>

See accompanying independent auditor's report

City of Quasqueton

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	<u>2011</u>
Property tax	\$ 116,315
Tax increment financing	7,973
Other city tax	46,180
Licenses and permits	1,080
Use of money and property	13,834
Intergovernmental	623,266
Charges for service	33,525
Miscellaneous	<u>7,481</u>
Total	<u>\$ 849,654</u>
Disbursements:	
Operating:	
Public safety	\$ 33,708
Public works	114,341
Health and social services	-
Culture and recreation	26,203
Community and economic development	4,686
General government	66,960
Debt service	7,915
Capital projects	<u>550,886</u>
Total	<u>\$ 804,699</u>

See accompanying independent auditor's report

City of Quasqueton

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development Community Development Block Grant			
Project Number:	14.228	08-WS-060-06	\$ 511,480
U.S. Department of the Interior - Fish and Wildlife Service: National Fish Passage Program			
Project Number:	15.608	FY09-32330-2009-096	<u>18,933</u>
		Total	<u><u>\$ 530,413</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Quasqueton and is presented in conformity with an other comprehensive basis of accounting. The information in 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.

See accompanying independent auditor's report.

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:

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 Quasqueton, 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, and have issued our report thereon dated February 9, 2012. 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 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Quasqueton'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, but not for the purpose of expressing our opinion on the effectiveness of the City of Quasqueton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Quasqueton'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 was not designed to 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 we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Quasqueton'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-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11, II-D-11, II-E-11, and II-F-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Quasqueton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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.

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 Quasqueton'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 Quasqueton'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 Quasqueton and other parties to whom the City of Quasqueton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Quasqueton 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.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

February 9, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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:

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and 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 noncompliance 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 City of Quasqueton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Quasqueton's compliance with those requirements.

In our opinion, City of Quasqueton complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of City of Quasqueton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Quasqueton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City of Quasqueton's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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.

A deficiency in internal control over compliance exists when the design or operation of a 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.

City of Quasqueton'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 City of Quasqueton'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 City of Quasqueton and other parties to whom City of Quasqueton may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., CPA'S

February 9, 2012

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and 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) No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Quasqueton did not qualify as a low-risk auditee.

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

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.

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

Response - We will consider this.

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

II-B-11 Preparation of Financial Statements - The City of Quasqueton does not employ an accounting staff with the ability to prepare its own financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Response - Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion - Response acknowledged.

II-C-11 Approval of Invoices - It came to our attention during the audit that the City Clerk opens the mail and writes out all checks for disbursements. The invoices are not reviewed by anyone else on a regular basis before approval by the council.

Recommendation - The City should implement procedures so that all invoices are reviewed by at least one other person when checks are prepared.

Response - We will look into this.

Conclusion - Response accepted.

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-D-11 Financial Reporting – During the audit, we identified a material amount of property tax misposted to the General Fund rather than the Debt Service Fund and Employee Benefits Fund.

Recommendation – The City should implement procedures to ensure property tax receipts are properly recorded in the City's financial statements.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

- II-E-11 Credit Cards – The City has a charge account at Wal-Mart for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of charge accounts and to establish procedures for the proper accounting of charges.

Recommendation – The City should adopt a formal written policy regulating the use of City charge accounts. The policy, at a minimum, should address who is authorized to use charge and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City charge accounts, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

- II-F-11 Vehicle Usage Policy – The City does not maintain a formal policy regarding the use of City owned vehicles by employees.

Recommendation – The City should adopt a formal policy regarding vehicle usage.

Response – The City will consider adopting a policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-WS-060

Federal Award Year: 2011

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

CFDA Number 15.608: National Fish Passage Program

Grant Number: FY09-32330-2009-096 / Agreement Number: 301819J207

Federal Award Year: 2011

U.S. Department of the Interior – Fish and Wildlife Service

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public works, general government and capital project functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- IV-B-11 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- 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 – There were no business transactions between the City and City officials or employees.

- 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, Investments, and Checks – Per the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa, the City is required to have an approved written investment policy. The City is also required to have a depository resolution with Rowley Savings Bank. Per Chapter 554D.114(5) of the Code of Iowa, since the City does not receive canceled checks back, they are required to receive the front and back images of all canceled checks.

Recommendation – The City should approve a formal investment policy and a depository resolution with the bank. We recommend the City contact the Bank and start receiving the front and back image of all canceled checks.

Response – We will investigate this.

Conclusion – Response accepted.

- IV-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Quasqueton

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-I-11 Financial Condition – As of June 30, 2011, the Special Revenue – Road Use Fund had a deficit balance of \$419 and Capital Projects – Arch Rapids Dam Fund had a deficit balance of \$227.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial position.

Response – We will investigate this.

Conclusion – Response accepted.

IV-J-11 Payment of General Obligation Bonds – The general obligation note payment was made from the General Fund.

Recommendation – In the future, the City should disburse the payment for the note from the Debt Service fund.

Response – We will do this in the future as recommended.

Conclusion – Response accepted.

City of Quasqueton

Staff

This audit was performed by:

Gina E. Trimble, CPA, Manager
Dana J. Elliott, CPA, Staff

February 9, 2012

City Council
City of Quasqueton
113 N. Water Street
Quasqueton, Iowa 52326

In planning and performing our audit of the financial statements of City of Quasqueton as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered City of Quasqueton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (We previously reported on the City's internal control in our report dated February 9, 2012) This letter does not affect our report dated February 9, 2012, on the financial statements of City of Quasqueton.

We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience.

Sincerely,

Ridihalgh, Fuelling, Snitker, Weber & Co., CPA's

Invoices

Generally accepted accounting procedures recommend that every invoice be somehow marked or canceled when paid. Currently the City does not have a procedure like this in place. We recommend the City have a stamp made or somehow mark each invoice with date paid and check number of payment.

Payroll timesheets

Currently, employees turn in timesheets to the City Clerk for payment. However, the City lacks a formal approval system. We recommend the treasurer or mayor sign off on the timesheets of each employee, therefore taking responsibility that they are correct.

Software

The City is currently using Quickbooks software to account for the City's revenues and expenditures. While we feel this software is a good one, it is not conducive to governmental fund accounting. During the year, the Mayor prepared an Excel spreadsheet for the budget and to more appropriately categorize revenue and expenditures. This helped us to understand the City's budget, however is not ideal as it constitutes "two sets of books." Neither the Quickbooks software nor the Excel spreadsheets prepared did an adequate job of separating out the funds required to be separated and reported by the City. There are also errors in how the payroll module is calculating and posting the IPERS contributions.

We recommend the City investigate another software system that more closely replicates the features needed for fund balance accounting and reporting.

We realize the City subscribes to a backup service for all computer software functions, however we recommend the City still save a backup copy of just the Quickbooks on at least a monthly basis.