

**CITY OF LONG GROVE, IOWA**

**ANNUAL FINANCIAL REPORT**

**June 30, 2008**

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Independent Auditor's Report

To the Mayor and City Council  
City of Long Grove, Iowa  
Long Grove, Iowa

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Long Grove, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the City of Long Grove prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities and each major fund of the City of Long Grove, Iowa, as of June 30, 2008, and the respective changes in financial position – cash basis and cash flows – cash basis, where applicable thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis on pages 3 to 8 is not a required part of the basic financial statements but are supplementary information required by the *Government Accounting Standards Board*. I have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report, dated June 12, 2009, on my consideration of the City of Long Grove's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Long Grove's basic financial statements. The introductory section, combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the financial statements. The combining and individual fund financial statements for June 30, 2008, which present unaudited June 30, 2007 information for comparison purposes, have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are stated fairly in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1. The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I express no opinion on them.



Davenport, Iowa

June 12, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Long Grove 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 ending June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased approximately \$53,000 from fiscal 2007 to fiscal 2008. Property tax receipts increased approximately \$354.
- Disbursements of the City's governmental activities increased approximately \$63,000 in fiscal year 2008 from fiscal year 2007.
- The City's total cash basis net assets increased approximately \$815,000 from 6/30/07 to 6/30/08 due to the wastewater treatment facility installation. Of this amount, the assets of the governmental activities increased approximately \$58,000 and the assets of the business type activities increased by approximately \$758,000.

### **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 Statements consist of a Statement of Activities and a Statement of Net Assets. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how government 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 details 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 U.S. generally accepted accounting principles. Therefore, when reviewing 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 or worse off as a result of the year's activities?" The Statements of Activities and Statements of Net Assets report information which helps answer this question.

The Statements of Activities and Net Assets present the City's net assets. Over time, increases and 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 are divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and capital projects. Property tax, road use tax and Local Option Sales Tax finance nearly all of the activities not related to the utilities.
- Business Type Activities include water, sewer and electric systems. These activities are financed 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 balances at year-end that are available for spending. The governmental funds include: (1) General Fund, and (2) Special Revenue Funds, such as Road Use Tax. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements (Continued)

The required financial statement for governmental funds is 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 three proprietary funds to provide separate information for the water, sewer and electric funds, considered to be major funds of the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's balance for governmental activities increased from a year ago, increasing \$519,370 to \$567,547. The analysis that follows focuses on the changes in cash balance for governmental activities.

The City's local receipts for governmental activities increased by \$53,000. The total cost of all programs and services increased by approximately \$63,000 with no new programs added this year. The increase is due to increased valuations and the business type activities.

The City increased property tax rates for General Obligation debt. Based upon increases in the total assessed valuations, property tax receipts are budgeted to increase by an additional \$76,000 next year.

Total business type activities receipts for the fiscal year were \$2,302,344 compared to \$499,154 last year. This significant increase was due to the receipt of wastewater treatment funds from financing. Total disbursements for the fiscal year increased by a total of \$1,023,133 due to the cost associated with the new wastewater treatment facility construction.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS**

The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$53,000 from the prior year to \$316,897 approximately \$7,000 of this increase was due to increased valuations.
- The Road Use Tax Fund cash balance decreased \$18,000 during the fiscal year. This was due to increased road/street repair.
- The Local Option Sales Tax Fund increased by \$23,000 to \$200,000 during the fiscal year. This was attributable to the decreased expenditures.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$9,000 to \$305,000, due primarily to increase usage and lower expenditures than budgeted.
- The Sewer Fund cash balance increased by \$35,000 to \$210,000, due primarily to revenue to fund for the new wastewater treatment facility. The most drastic change in the City's proprietary account will come in the Sewer Fund in 2009. Due to the completion of wastewater treatment facility.
- The Electric Fund cash balance increased by \$20,000 to \$404,596, due primarily to decreased expenditures.

### **BUDGETARY HIGHLIGHTS**

The budget was amended in May of 2008 primarily due to unknown wastewater treatment facility cost when Fiscal 08 budget was prepared.

### **DEBT ADMINISTRATION**

As of June 30, 2008 the City has a state revolving loan in the amount of \$1,546,104. Fifty percent of the loan is in General Obligation Bonds and fifty percent is in Revenue Bonds.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Long Grove's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees charged for various City activities. These factors included projected needs for services, anticipated costs of supporting the City and projected receipts.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$1,385,000, versus \$an e final 2007. Budgeted disbursements are expected to rise by approximately \$1,508,000. Factors impacting disbursements in 2009 will be expenditures necessary due to the wastewater treatment facility. An unanticipated disbursement at the time of 2009 budget preparation could be the shared (Long Grove, Eldridge, County and State, DOT) cost of a bicycle/pedestrian path between Long Grove and Eldridge. The State DOT will review grant requests in 2009. If the grant is not approved, no disbursements will be necessary. The City has added no new major new program funds or initiatives to the 2009.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by \$206,000 by the close of 2010.

### **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 any questions about this report or need additional financial information contact Susan Lensch Mahannah, City Clerk, 104 S. First Street, Long Grove, Iowa 563-285-4904.

CITY OF LONG GROVE, IOWA

STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2008

<i>ASSETS</i>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Totals</u>
Cash	\$ 352,605	\$ 846,348	\$ 1,198,953
Certificates of deposit	234,932	666,108	901,040
Construction in process	---	953,921	953,921
Total assets	<u>\$ 587,537</u>	<u>\$ 2,466,377</u>	<u>\$ 3,053,914</u>
 <i>LIABILITIES AND NET ASSETS</i>			
<i>Long term liabilities - Note 3</i>			
Due within one year	\$ 41,000	\$ 41,000	\$ 82,000
Due in more than one year	<u>732,052</u>	<u>732,052</u>	<u>1,464,104</u>
Total liabilities	<u>773,052</u>	<u>773,052</u>	<u>1,546,104</u>
<i>Net assets</i>			
Debt assumed for capital assets	(773,052)	---	(773,052)
Restricted for other purposes	270,640	---	270,640
Unrestricted, undesignated	<u>316,897</u>	<u>1,693,325</u>	<u>2,010,222</u>
Total net assets (deficit)	<u>(185,515)</u>	<u>1,693,325</u>	<u>1,507,810</u>
Total liabilities and net assets	<u>\$ 587,537</u>	<u>\$ 2,466,377</u>	<u>\$ 3,053,914</u>

See accompanying notes to the basic financial statements.

**CITY OF LONG GROVE, IOWA**  
**STATEMENT OF ACTIVITIES - CASH BASIS**

For the Year Ended June 30, 2008

	Governmental Activities	Business Type Activities	Totals
<b><i>Revenue received</i></b>			
Property taxes	\$ 173,775	\$ ---	\$ 173,775
Franchise fees	6,207	---	6,207
State shared revenues	51,149	---	51,149
Local option tax	77,801	---	77,801
Permits and fees	4,694	---	4,694
Interest	12,806	32,437	45,243
Miscellaneous	15,172	15,716	30,888
Grant	9,010	---	9,010
Charges for services	---	489,530	489,530
Total revenue received	<u>350,614</u>	<u>537,683</u>	<u>888,297</u>
<b><i>Expenditures disbursed</i></b>			
Public safety	34,505	---	34,505
Public works	171,812	---	171,812
Culture and recreation	40,333	---	40,333
Community and economic development	2,548	---	2,548
General government	43,577	---	43,577
Water, sewer, electric expenditures	---	472,649	472,649
Total expenditures disbursed	<u>292,775</u>	<u>472,649</u>	<u>765,424</u>
Excess of revenue received over expenditures disbursed	57,839	65,034	122,873
<b><i>Other financing sources (uses)</i></b>			
Transfers in (out)	<u>(773,052)</u>	<u>773,052</u>	<u>---</u>
Change in net assets	(715,213)	838,086	122,873
<b><i>Net assets, beginning of year</i></b>	<u>529,698</u>	<u>855,239</u>	<u>1,384,937</u>
<b><i>Net assets (deficit), end of year</i></b>	<u>\$ (185,515)</u>	<u>\$ 1,693,325</u>	<u>\$ 1,507,810</u>

See accompanying notes to the basic financial statements.

**CITY OF LONG GROVE, IOWA**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS**

June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<i><b>ASSETS</b></i>			
Cash	\$ 300,646	\$ 51,959	\$ 352,605
Certificates of deposit	16,251	218,681	234,932
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 316,897</u>	<u>\$ 270,640</u>	<u>\$ 587,537</u>
 <i><b>FUND BALANCES</b></i>			
Restricted for			
Other purposes	\$ ---	\$ 270,640	\$ 270,640
Unreserved, undesignated	316,897	---	316,897
	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 316,897</u>	<u>\$ 270,640</u>	<u>\$ 587,537</u>

**Reconciliation to Statement of Net Assets:**

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds	<hr/>
	(773,052)
Net assets (deficit) of governmental activities	<u>\$ (185,515)</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>Revenue received</b>			
Property taxes	\$ 173,775	\$ ---	\$ 173,775
Franchise fee	6,207	---	6,207
Road uses tax	---	51,149	51,149
Local option sales tax	---	77,801	77,801
Building and construction	2,318	---	2,318
Building	108	---	108
Miscellaneous charges	15,172	---	15,172
Alcohol control	829	---	829
Cigarette permits	38	---	38
Grant received	9,010	---	9,010
Interest	1,242	11,564	12,806
Charges / fees	1,401	---	1,401
Total revenue received	<u>210,100</u>	<u>140,514</u>	<u>350,614</u>
<b>Expenditures disbursed</b>			
Public safety	34,505	---	34,505
Public works	36,102	135,710	171,812
Culture and recreation	40,333	---	40,333
Community and economic development	2,548	---	2,548
General government	43,577	---	43,577
Total expenditures disbursed	<u>157,065</u>	<u>135,710</u>	<u>292,775</u>
Excess of revenue received over expenditures disbursed	53,035	4,804	57,839
<b>Other financing sources (uses)</b>			
Transfers (out)	---	(773,052)	(773,052)
Debt proceeds received	---	773,052	773,052
Total other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>
Net changes in fund balances	53,035	4,804	57,839
<b>Fund balances, beginning of year</b>	<u>263,862</u>	<u>265,836</u>	<u>529,698</u>
<b>Fund balances, end of year</b>	<u>\$ 316,897</u>	<u>\$ 270,640</u>	<u>\$ 587,537</u>

See accompanying notes to the basic financial statements.

**CITY OF LONG GROVE, IOWA**

**STATEMENT OF NET ASSETS - CASH BASIS  
BUSINESS TYPE ACTIVITIES FUNDS**

June 30, 2008

<i><b>ASSETS</b></i>	Water Fund	Sewer Fund	Electric Fund	Totals
Cash	\$ 137,152	\$ 638,341	\$ 70,855	\$ 846,348
Certificates of deposit - unrestricted	146,510	140,862	304,049	591,421
Certificates of deposit - sinking funds	21,690	23,305	29,692	74,687
Construction in process	---	953,921	---	953,921
 Total assets	 <u>\$ 305,352</u>	 <u>\$ 1,756,429</u>	 <u>\$ 404,596</u>	 <u>\$ 2,466,377</u>
 <i><b>LIABILITIES AND NET ASSETS</b></i>				
<i><b>Liabilities</b></i>				
<i>Current liabilities</i>				
Notes payable - current portion	\$ ---	\$ 41,000	\$ ---	\$ 41,000
<i>Non current liabilities</i>				
Notes payable - long term portion	---	732,052	---	732,052
 Total liabilities	 ---	 773,052	 ---	 773,052
<i><b>Net assets</b></i>				
Unrestricted, undesignated	305,352	983,377	404,596	1,693,325
 Total liabilities and net assets	 <u>\$ 305,352</u>	 <u>\$ 1,756,429</u>	 <u>\$ 404,596</u>	 <u>\$ 2,466,377</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
 CASH BASIS  
 BUSINESS TYPE ACTIVITIES FUNDS

For the Year Ended June 30, 2008

	Water Fund	Sewer Fund	Electric Fund	Totals
<b>Revenue received</b>				
Water and sewer sales	\$ 97,474	\$ 94,837	\$ 297,219	\$ 489,530
Miscellaneous	14,022	500	1,194	15,716
Total revenue received	<u>111,496</u>	<u>95,337</u>	<u>298,413</u>	<u>505,246</u>
<b>Expenditures disbursed</b>				
Administration	68,974	66,367	65,537	200,878
Utilities	---	461	---	461
Maintenance and repairs	3,556	2,525	2,299	8,380
Wholesale power purchased	---	---	204,916	204,916
Capital expenditures	38,999	---	19,015	58,014
Total expenditures disbursed	<u>111,529</u>	<u>69,353</u>	<u>291,767</u>	<u>472,649</u>
Excess (deficiency) of revenue received over expenditures disbursed	<u>(33)</u>	<u>25,984</u>	<u>6,646</u>	<u>32,597</u>
<b>Non-operating revenue</b>				
Interest on investments	9,346	9,145	13,946	32,437
Transfers in	---	773,052	---	773,052
Total non-operating revenue	<u>9,346</u>	<u>782,197</u>	<u>13,946</u>	<u>805,489</u>
Changes in net assets	9,313	808,181	20,592	838,086
<b>Net assets, beginning of year</b>	<u>296,039</u>	<u>175,196</u>	<u>384,004</u>	<u>855,239</u>
<b>Net assets, end of year</b>	<u>\$ 305,352</u>	<u>\$ 983,377</u>	<u>\$ 404,596</u>	<u>\$ 1,693,325</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH FLOWS - CASH BASIS

BUSINESS TYPE ACTIVITIES FUNDS

For the Year Ended June 30, 2008

	Water Fund	Sewer Fund	Electric Fund	Totals
<b><i>Cash flows from operating activities</i></b>				
Water and sewer sales	\$ 97,474	\$ 94,837	\$ 297,219	\$ 489,530
Cash paid to suppliers	(63,614)	(21,602)	(240,441)	(325,657)
Cash paid to employees	(47,915)	(47,751)	(51,326)	(146,992)
Other operating revenue	14,022	500	1,194	15,716
Net cash provided by (used by) operating activities	<u>(33)</u>	<u>25,984</u>	<u>6,646</u>	<u>32,597</u>
<b><i>Cash flows from capital and related financing activities</i></b>				
Acquisition of capital assets	---	(855,758)	---	(855,758)
Transfers in	---	773,052	---	773,052
Long term debt proceeds received	---	773,052	---	773,052
Net cash provided by capital and related financing activities	<u>---</u>	<u>690,346</u>	<u>---</u>	<u>690,346</u>
<b><i>Cash flows from investing activities</i></b>				
Interest on investments	9,346	9,145	13,946	32,438
Interest reinvested into certificates	(8,343)	(8,130)	(12,344)	(28,817)
Net cash provided by investing activities	<u>1,003</u>	<u>1,015</u>	<u>1,602</u>	<u>3,620</u>
<i>Net increase in cash</i>	970	717,345	8,248	726,563
<b><i>Cash balance, beginning of year</i></b>	<u>136,182</u>	<u>(79,004)</u>	<u>62,607</u>	<u>119,785</u>
<b><i>Cash balance, end of year</i></b>	<u><u>\$ 137,152</u></u>	<u><u>\$ 638,341</u></u>	<u><u>\$ 70,855</u></u>	<u><u>\$ 846,348</u></u>

RECONCILIATION OF OPERATING  
INCOME TO NET CASH PROVIDED  
BY (USED BY) OPERATING ACTIVITIES

Operating income (loss)	<u>\$ (33)</u>	<u>\$ 25,984</u>	<u>\$ 6,646</u>	<u>\$ 32,597</u>
Net cash provided by (used by) operating activities	<u><u>\$ (33)</u></u>	<u><u>\$ 25,984</u></u>	<u><u>\$ 6,646</u></u>	<u><u>\$ 32,597</u></u>

See accompanying notes to the basic financial statements.

**CITY OF LONG GROVE, IOWA  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1 Summary of significant accounting policies**

**Reporting entity**

The City Council of the City of Long Grove ("Council") is the basic level of government which has oversight and control over all activities relating to the City. The Council receives funding from local, county, and state sources and must comply with the concomitant requirements of these funding source entities. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP (generally accepted accounting principles). The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Since the Council does not exercise control over any other entities, no potential component units have been identified.

**Basis of presentation**

**GOVERNMENT WIDE FINANCIAL STATEMENTS** The statement of net assets and statement of activities display information about the City as a whole. They include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole by fees charged to external parties for goods or services.

**FUND FINANCIAL STATEMENTS** Fund financial statements of the City are organized into funds, each of which is considered a separate accounting entity. Funds are organized into two major categories: government and business-like activities. An emphasis is placed on major funds within the governmental and business-like categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria: (A) total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and (B) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**Fund accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, receipts, and disbursements. Major individual governmental and business type funds are reported as separate columns in the fund financial statements. All remaining governmental funds are grouped into their fund types and reported with a separate column in the fund financial statements.

# NOTES TO FINANCIAL STATEMENTS

## Note 1 Summary of significant accounting policies, continued

### Fund accounting, continued

The City has the following funds:

#### **Governmental Fund Types**

Governmental fund types are those funds through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the business type funds) are accounted for through governmental funds. The following comprise the City's major governmental funds:

*General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required legally or by sound financial management to be accounted for in another fund.

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City considers the total of this category of funds major and reports it that way. The City includes the following special revenue funds, all of which individually are non major:

<u>Fund</u>	<u>Brief Description</u>
Road Use Tax	Account for allocation of State shared revenues legally restricted to streets and alley improvements
Local Option Sales	Account for the revenues and expenditures of sales taxes imposed via referendum that is legally restricted via the language within the referendum
Debt Service	Account for revenue and expenditures legally restricted by statute to retirement of general obligation debt

#### **Business Type Funds**

Enterprise funds are used to account for business like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City includes the following enterprise funds as major business type funds:

*Water Fund* – Accounts for the revenues and expenses of the system responsible for the pumping, treatment and distribution of potable water to the citizens of the City.

*Sewer Fund* – Accounts for the revenues and expenses of the system responsible for the collection, treatment and disposition of wastewater generated by the citizens of the City.

*Electric Fund* – Accounts for the revenues and expenses of the system responsible for the distribution of electricity to the citizens of the City.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 Summary of significant accounting policies, continued

#### Measurement focus and basis of accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

#### **Measurement focus**

In the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus as applied to the cash basis of accounting is used as appropriate: (A) all governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. (B) The business-like activities funds utilize an “economic resources” measurement focus, the accounting objectives of which are determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities (whether current or not) associated with their activities are reported, within the limitation of the cash basis as defined below. Fund equity is classified as net assets.

#### **Basis of accounting**

In the government-wide statement of net assets and statement of activities and the fund financial statements, government and business-like activities are presented using a cash basis. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions in the government wide and business-like fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of cash basis of accounting, certain assets and their related revenues, such as accounts receivable and certain liabilities and their related expenses such as accounts payable and other accrued items are not recorded in these statements.

The *Government Accounting Standards Board* (GASB) Statement No. 20 provides that all proprietary (business-type) funds must apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standard Board (FASB) Statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins. The City elected to apply all applicable FASB statements issued after November 30, 1989, except for those that conflict or contradict GASB pronouncements, and those in relation to the reporting of fixed assets.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 Summary of significant accounting policies, continued

#### Cash and cash equivalents

For the purpose of financial reporting, “cash and cash equivalents” include all demand accounts or money market savings accounts.

#### Investments

Investments consist of certificates of deposit and are stated at cost, which approximates market value.

#### Budgets and budgetary accounting

Budgets/appropriations for all funds of the City are adopted on the cash basis, which is not consistent with generally accepted accounting principles (GAAP). Budget/appropriation comparisons presented in this report are on this non-GAAP basis. This is both an acceptable and recommended basis of accounting. Appropriations/budgets approved through this process lapse at year end.

The overall budgetary comparison is reported as Required Supplementary Information.

#### Fixed assets

### **Government Wide Statements**

In the government-wide financial statements, only fixed assets arising from cash transactions in relation to the wastewater treatment plant project are accounted for as assets in the statement of net assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation of exhaustible fixed assets arising from cash transactions used by either the governmental funds or the business type funds is charged as an expense in the statement of activities.

### **Fund Financial Statements**

In the fund financial statements, fixed assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets acquired for use in the business type funds are accounted for the same as in the government-wide statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 Summary of significant accounting policies, continued

#### Long term debt

All long term debt arising from cash transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements.

Long term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for business-type funds is the same in the fund financial statements as the treatment in the government-wide statements.

#### Equity classification

##### **Government Wide Statements**

Equity is classified as net assets and displayed in two components: (1) Restricted net assets consists of net assets with constraints placed on use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation, and (2) Unrestricted net assets consist of all other net assets that do not meet the definition of "restricted."

##### **Fund Financial Statements**

Governmental fund equity is classified as fund balance. Business type fund equity is classified the same as government-wide financial statements.

#### Interfund activities

In the process of aggregating the financial information for the government-wide financial statement of net assets and statement of activities, any amounts reported as interfund activity have been eliminated or reclassified.

##### **Fund Financial Statements**

Interfund activity, if any, within and among the governmental and business type activity fund categories is reported in the fund financial statements as interfund transfers, which are the flow of assets from one fund to another where repayment is not expected and are reported as transfers in and out.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 Summary of significant accounting policies, continued

#### Estimates

The preparation of financial statements in conformity with the cash basis - other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures: accordingly, actual results could differ from these estimates.

#### Stewardship, compliance and accountability

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. No instances of noncompliance were noted.

### Note 2 Cash, investments and restricted investments

The City maintains a cash pool for all funds. Investment income generally is allocated to the various funds based upon the funds' cash and investment balances. At year end the book amounts of the City's deposits was \$ 2,099,993 and the bank balances were \$ 2,109,308. This entire amount was 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 funds.

The City has adopted GASB No. 40, *Deposit and Investment Risk Disclosures*, which defines custodial credit risk as the risk that, in the event of the failure of the counterparty (the bank) the City will not be able to recover the value of its investments or collateral securities in the possession of the bank. The City's deposits are not exposed to custodial credit risk as of June 30, 2008.

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days, Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

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 open-end management companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

## NOTES TO FINANCIAL STATEMENTS

### Note 2 Cash, investments and restricted investments , continued

At June 30, 2008 the City had the following investments:

<b>Type</b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>	<b><u>Maturity</u></b>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 66,537	\$ 66,537	12-7-08
First Central State Bank	64,718	64,718	6-4-09
Valley State Bank	249,322	249,322	10-10-08
First Central State Bank	140,653	140,653	8-9-08
First Central State Bank	297,060	297,060	9-6-08
First Central State Bank	<u>82,750</u>	<u>82,750</u>	6-23-09
Totals	<u>\$ 901,040</u>	<u>\$ 901,040</u>	

At June 30, 2008 the City's investments were allocated between unrestricted and temporarily restricted – sinking funds as follows:

<b>Type</b>	<b><u>Total</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 66,537	\$ 66,537	\$ ---
First Central State Bank	64,718	64,718	---
Valley State Bank	249,322	242,740	6,582
First Central State Bank	140,653	83,140	57,513
First Central State Bank	297,060	297,060	---
First Central State Bank	<u>82,750</u>	<u>72,158</u>	<u>10,592</u>
Totals	<u>\$ 901,040</u>	<u>\$ 826,353</u>	<u>\$ 74,687</u>

### Note 3 Changes in long-term debt

The following is a summary of the long-term debt transactions of the City for the fiscal year ended June 30, 2008:

Debt payable at July 1, 2007	\$ ---
Debt assumed during the year	<u>1,546,104</u>
Debt payable at June 30, 2008	<u>\$ 1,546,104</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 3 Changes in long-term debt, continued

Debt payable at June 30, 2008, is comprised of the following notes payable:

#### GOVERNMENTAL ACTIVITIES

##### General Obligation Sewer Bonds

May 14, 2008, \$ 1,088,000 bonds payable to the Iowa Finance Authority, to pay for the construction of the sewer project, due in semi-annual installments beginning December 1, 2008 of \$ 41,000 to \$ 71,000, plus interest at 3.00% and annual servicing fee of .25% of balance due, through June 1, 2028 \$ 773,052

#### BUSINESS TYPE ACTIVITIES

##### Sewer Revenue Bonds

May 14, 2008, \$ 1,088,000 bonds payable to the Iowa Finance Authority, to pay for the construction of the sewer project, due in semi-annual installments beginning December 1, 2008 of \$ 41,000 to \$ 71,000, plus interest at 3.00% and annual servicing fee of .25% of balance due, through June 1, 2028 773,052

\$ 1,546,104

Projected annual debt service requirements to maturity, including principal and interest as of June 30, 2008, are as follows:

Maturing during year ending June, 30	<u>General Obligation Debt</u>		<u>Business Type Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 41,000	\$ 17,310	\$ 41,000	\$ 18,541
2010	42,000	31,408	42,000	31,410
2011	43,000	30,150	43,000	30,150
2012	44,000	28,860	44,000	28,860
2013	46,000	27,540	46,000	27,540
2014-2018	249,000	116,310	249,000	116,310
2019-2023	288,000	76,680	288,000	76,680
2024-2028	<u>335,000</u>	<u>30,750</u>	<u>335,000</u>	<u>30,750</u>
	<u>\$ 1,088,000</u>	<u>\$ 359,008</u>	<u>\$ 1,088,000</u>	<u>\$ 360,241</u>

## NOTES TO FINANCIAL STATEMENTS

### **Note 4 Property taxes**

Property tax revenues have been recorded on the “cash basis”, therefore, only property tax distributions received on or before June 30, 2008, are shown in the combined financial statements. Property taxes attach as an enforceable lien on property as of January 1. A certified copy of the levy ordinance is filed with the Scott County Auditor no later than the 15<sup>th</sup> day of March, and the county auditor extends the tax and the county treasurer collects the tax. This tax levy ordinance was adopted by the City on March 13, 2007. Taxes are due and payable in two installments established by statute (March 30 and September 30) and are collected primarily in these months. The county bills and collects all property taxes within its borders and then forwards the tax collected to the City.

### **Note 5 Pension plan**

The City contributes to the Iowa Public Employees Retirement System (IPERS), 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 the Iowa Public Employees Retirement System, P.O. Box 9117 Des Moines, IA 50306-9117.

Regular plan members are required to contribute 3.9 percent of their annual covered salary, with the City contributing 6.05 percent. Part time police members contribution rates are 5.64 percent with the City contributing 8.47 percent. Contribution requirements are established by state statute. The City's contribution to IPERS was \$ 9,521 for the year ended June 30, 2008.

### **Note 6 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 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 coverage in any of the past three years.

### **Note 7 Segment reporting**

The GASB Statement Numbers 34 and 37 require reporting of certain condensed financial information on all major business type activities funds. All of this information can be found in the financial statements of individual funds, for the Water fund on page 39, Sewer fund on page 40, and the Electric fund on page 41.

## NOTES TO FINANCIAL STATEMENTS

### Note 8 Compensated absences

City employees accumulate an unlimited amount of earned but unused vacation and sick leave 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 vacation and sick leave termination payments payable to employees at June 30, 2008, which would be split among the general, road use and enterprise funds and based on rates of pay as of that date, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 32,123
Sick leave	3,056
Compensatory time in lieu of overtime	<u>597</u>
Total	<u>\$ 35,776</u>

### Note 9 Commitments and contingencies

The City as of June 30, 2008 is obligated to \$ 1,524,405 on the contract for the sewer treatment plant project.

The City received a reimbursement grant of \$ 9,010 prior to June 30, 2008, from Trees Forever for a roadway beautification project completed by the City in prior years.

The City is involved in legal action with the provider of wholesale electric service to the City and may have liability in this action, the amount of which is unknown at this time.

### Note 10 Subsequent events

The City paid \$ 1,461,550 on the construction contract for the sewer treatment plant through June, 2009.

The City submitted a grant proposal prior to June 30, 2008, jointly with the City of Eldridge and Scott County, for the construction of a bike path linking Eldridge and Long Grove and was denied. The City intends to resubmit the proposal in June of 2009.

The City is currently renegotiating limiting the amount of unused compensated absences that may be accumulated by its employees and intends to conclude this by June of 2009.

### Note 11 Overall budgetary comparison

The City's budgetary compliance is presented on page 25 for all General, Special Revenue and Enterprise funds.

CITY OF LONG GROVE, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CASH BASIS - ALL GOVERNMENTAL AND PROPRIETARY FUNDS

Required Supplementary Information

For the Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
<b>Receipts:</b>						
Property taxes	\$ 173,775	\$ ---	\$ 173,775	\$ 173,298	\$ 173,298	\$ 477
Other City tax	85,713	---	85,713	76,133	76,133	9,580
Licenses and permits	3,292	---	3,292	2,475	2,475	817
Use of money & property	1,242	---	1,242	2,300	2,300	(1,058)
Intergovernmental	54,801	---	54,801	61,817	61,817	(7,016)
Charges for service	22,781	537,683	560,464	549,489	1,637,489	(1,077,025)
Miscellaneous	9,010	---	9,010	---	---	9,010
Total receipts	350,614	537,683	888,297	865,512	1,953,512	(1,065,215)
<b>Disbursements:</b>						
Public safety	34,505	---	34,505	37,160	37,160	2,655
Public works	109,270	---	109,270	99,817	119,817	10,547
Culture and recreation	40,333	---	40,333	52,373	52,373	12,040
Community and economic development	2,548	---	2,548	5,000	5,000	2,452
General government	43,577	---	43,577	49,034	49,034	5,457
Capital projects	62,542	---	62,542	75,000	75,000	12,458
Business type activities	---	472,649	472,649	539,689	1,627,689	1,155,040
Total disbursements	292,775	472,649	765,424	858,073	1,966,073	1,200,649
Excess of receipts over disbursements	57,839	65,034	122,873	7,439	(12,561)	135,434
<b>Other financing sources (uses):</b>						
Transfers out	(773,052)	---	(773,052)	(7,439)	(7,439)	(765,613)
Transfers in	---	773,052	773,052	---	---	773,052
Total other financing sources (uses)	(773,052)	773,052	---	(7,439)	(7,439)	7,439
Excess of receipts and other financing sources over disbursements and other (uses)	(715,213)	838,086	122,873	---	(20,000)	142,873
<b>Balances, beginning of year</b>	529,698	855,239	1,384,937	1,384,937	1,384,937	1,384,937
<b>Balances, end of year</b>	\$ (185,515)	\$ 1,693,325	\$ 1,507,810	\$ 1,384,937	\$ 1,364,937	\$ 1,527,810

See accompanying notes to the basic financial statements.

# CITY OF LONG GROVE, IOWA

## OFFICIALS

June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Before January, 2008</b>		
Jack L Hill	Mayor	Jan 2008
Donald Abington, Jr.	Council Member	Jan 2008
Jim Ingram	Council Member	Jan 2008
Shannon Hambly	Council Member	Jan 2008
Keith Ehrecke	Council Member	Jan 2010
Jan Morrell	Council Member	Jan 2010
<b>After January, 2008</b>		
Jack L Hill	Mayor	Jan 2010
Donald Abington, Jr.	Council Member	Jan 2012
Jim Ingram	Council Member	Jan 2012
Shannon Hambly	Council Member	Jan 2012
Keith Ehrecke	Council Member	Jan 2010
Jan Morrell	Council Member	Jan 2010
Susan Lensch Mahannah	Clerk/Treasurer	Indefinite

CITY OF LONG GROVE, IOWA

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
CASH BASIS

GENERAL FUND

June 30, 2008 and Unaudited 2007

	April 30,	
	<u>2008</u>	<u>2007 Unaudited</u>
<i>ASSETS</i>		
Cash	\$ 300,646	\$ 248,381
Certificates of deposit	16,251	15,481
Total	<u>\$ 316,897</u>	<u>\$ 263,862</u>
 <i>FUND EQUITY</i>		
Fund balance - undesignated	<u>\$ 316,897</u>	<u>\$ 263,862</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCE - CASH BASIS  
COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<b>Revenue received</b>				
Property taxes	\$ 173,298	\$ 173,775	\$ 477	\$ 173,421
Franchise fees	6,300	6,207	(93)	5,763
Fines	---	---	---	115
Reimbursement	1,133	---	(1,133)	---
Building and construction	2,000	2,318	318	3,393
Building	---	108	108	1,938
Miscellaneous charges	3,000	15,172	12,172	16,660
Alcohol control	400	829	429	49
Cigarette permits	75	38	(37)	75
Grant received	---	9,010	9,010	---
Interest	2,300	1,242	(1,058)	1,619
Charges / fees	500	1,401	901	657
Total revenue	<u>\$ 189,006</u>	<u>210,100</u>	<u>\$ 21,094</u>	<u>203,690</u>
<b>Expenditures disbursed</b>				
Public safety	37,160	34,505	2,655	23,113
Public works	38,000	36,102	1,898	32,246
Culture and recreation	52,373	40,333	12,040	35,793
Community and economic development	5,000	2,548	2,452	113
General government	49,034	43,577	5,457	42,546
Total expenditures disbursed	<u>\$ 181,567</u>	<u>157,065</u>	<u>\$ 24,502</u>	<u>133,811</u>
Excess of revenue received over expenditures disbursed		53,035		69,879
<b>Other financing uses</b>				
Transfers out	<u>\$ (7,439)</u>	---	<u>\$ 7,439</u>	---
Excess of revenue received over expenditures disbursed and other financing uses		53,035		69,879
<b>Fund balance, beginning of year</b>		<u>263,862</u>		<u>193,983</u>
<b>Fund balance, end of year</b>		<u>\$ 316,897</u>		<u>\$ 263,862</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION  
CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

<i>Public Safety &amp; Public Works</i>	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<i>Police Operations</i>				
Salaries	\$ 15,120	\$ 9,726	\$ 5,394	\$ 5,287
Payroll taxes	---	744	(744)	---
Iowa Public Employees Retirement	---	824	(824)	---
Other benefits	500	---	500	---
Association dues	---	829	(829)	3,595
Subscriptions	300	---	300	---
Vehicle operations	2,605	2,814	(209)	1,231
Electric and gas	500	1,400	(900)	---
Court and record	150	---	150	1,000
Office supplies	985	1,168	(183)	---
Total police operations	20,160	17,505	2,655	11,113
<i>Fire Department</i>				
Other Contractual services	17,000	17,000	---	12,000
Total fire department	17,000	17,000	---	12,000
Total public safety	\$ 37,160	\$ 34,505	\$ 2,655	\$ 23,113
<i>Public works</i>				
Garbage collection services	38,000	36,102	1,898	32,246
Total public works	\$ 38,000	\$ 36,102	\$ 1,898	\$ 32,246

CITY OF LONG GROVE, IOWA

STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION  
CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008		Variance- favorable (unfavorable)	UNAUDITED
	Budget	Actual		2007 Actual
<i>Culture and recreation: Community and economic development</i>				
<i>Culture and recreation</i>				
Library				
Other contractual services	\$ 19,373	\$ 19,373	\$ ---	\$ 21,101
Parks				
Grounds maintenance	15,000	12,446	2,554	8,070
Other maintenance	15,000	5,514	9,486	3,622
Total parks department	30,000	17,960	12,040	11,692
Community center				
Other contractual services	3,000	3,000	---	3,000
Total culture and recreation	\$ 52,373	\$ 40,333	\$ 12,040	\$ 35,793
<i>Community and economic development</i>				
Community beautification				
Community beautification	\$ 1,000	\$ 672	\$ 328	\$ 113
Economic development				
Legal expense	---	1,276	(1,276)	---
Printing and publications	4,000	600	3,400	---
Total economic development	4,000	1,876	2,124	---
Total community and economic development	\$ 5,000	\$ 2,548	\$ 2,452	\$ 113

**CITY OF LONG GROVE, IOWA**

**STATEMENT OF EXPENDITURES DISBURSED, BY DIVISION  
CASH BASIS - COMPARED TO BUDGET**

**GENERAL FUND**

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<i>General government</i>				
Mayor, Council and city manager				
Other pay	\$ 7,000	\$ 5,139	\$ 1,861	\$ 6,499
Clerk, treasurer				
Salaries	14,975	11,333	3,642	10,637
Payroll taxes	690	1,556	(866)	1,349
Iowa public employees retirement	545	683	(138)	620
Other benefits	7,524	4,694	2,830	---
Meetings and conferences	3,500	1,642	1,858	1,521
Total clerk, treasurer	27,234	19,908	7,326	14,127
Elections				
Payments to others	1,500	---	1,500	---
City attorney				
Legal expense	2,000	344	1,656	2,297
City hall				
Utilities	4,000	3,760	240	1,232
Maintenance and repairs	---	370	(370)	785
Insurance	---	40	(40)	3,698
Legal	---	---	---	664
Printing and publications	---	3,638	(3,638)	4,869
Office supplies	2,300	2,393	(93)	1,530
Office equipment	---	98	(98)	385
Total city hall	6,300	10,299	(3,999)	13,163
Tort liability				
Insurance expense	5,000	4,298	702	3,887
Other general government				
Engineering expense	---	3,589	(3,589)	2,573
Total general government	\$ 49,034	\$ 43,577	\$ 5,457	\$ 42,546

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
CASH BASIS

SPECIAL REVENUE FUNDS

June 30, 2008 and Unaudited 2007

	Road Use Tax Fund	Local Option Sales Tax	Debt Service	April 30,	
				2008	2007 Unaudited
<i>ASSETS</i>					
Cash	\$ (9,608)	\$ 61,567	\$ ---	\$ 51,959	\$ 57,776
Certificates of deposit	75,222	143,459	---	218,681	208,060
Total	<u>\$ 65,614</u>	<u>\$ 205,026</u>	<u>\$ ---</u>	<u>\$ 270,640</u>	<u>\$ 265,836</u>

*FUND EQUITY*

Fund balance - restricted	<u>\$ 65,614</u>	<u>\$ 205,026</u>	<u>\$ ---</u>	<u>\$ 270,640</u>	<u>\$ 265,836</u>
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CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN FUND BALANCES - CASH BASIS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008  
With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	Road Use Tax	Local Option Sales Tax	Debt Service	Totals	
				2008	2007 Unaudited
<b>Revenue received</b>					
Road use taxes	\$ 51,149	\$ ---	\$ ---	\$ 51,149	\$ 49,757
Sales taxes	---	77,801	---	77,801	74,389
Interest	3,652	7,912	---	11,565	75
Total revenue received	54,801	85,713	---	140,515	124,221
<b>Expenditures disbursed</b>					
Roads, bridges, sidewalks	73,168	---	---	73,168	72,584
Community beautification	---	---	---	---	552
Capital projects	---	62,542	---	62,542	25,961
Debt service paid	---	---	---	---	---
Total expenditures disbursed	73,168	62,542	---	135,710	99,097
Excess (deficiency) of revenue received over expenditures disbursed	(18,367)	23,171	---	4,805	25,124
<b>Other financing sources (uses)</b>					
General obligation debt receipts	---	---	773,052	773,052	---
Transfers out	---	---	(773,052)	(773,052)	---
Total other financing sources (uses)	---	---	---	---	---
Excess of revenue received over expenditures disbursed and other financing sources (uses)	(18,367)	23,171	---	4,805	25,124
<b>Fund balance, beginning of year</b>	83,981	181,855	---	265,836	240,712
<b>Fund balance, end of year</b>	\$ 65,614	\$ 205,026	\$ ---	\$ 270,641	\$ 265,836

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN FUND BALANCE  
CASH BASIS - COMPARED TO BUDGET

ROAD USE TAX FUND

For the Year Ended June 30, 2008  
With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<b>Revenue received</b>				
Road use taxes	\$ 50,302	\$ 51,149	\$ 847	\$ 49,757
Interest	---	3,652	3,652	---
Total revenue received	<u>\$ 50,302</u>	<u>54,801</u>	<u>\$ 4,499</u>	<u>49,757</u>
<b>Expenditures disbursed</b>				
Salaries	\$ 24,325	23,825	\$ 500	23,198
Payroll taxes	1,860	2,445	(585)	1,888
Iowa public employees retirement	1,470	1,492	(22)	1,481
Vehicle operations	1,500	6,591	(5,091)	7,050
Other maintenance and repairs	8,000	5,061	2,939	---
Engineering services	---	---	---	19,136
Payments to others	15,162	---	15,162	---
Street maintenance	4,000	1,970	2,030	---
Posts / signs	500	---	500	---
Streets	25,000	31,784	(6,784)	19,831
Total expenditures disbursed	<u>\$ 81,817</u>	<u>73,168</u>	<u>\$ 8,649</u>	<u>72,584</u>
(Deficiency) of revenue received over expenditures disbursed		(18,367)		(22,827)
<b>Other financing sources</b>				
Transfers in	<u>\$ 11,515</u>	---	<u>\$ (11,515)</u>	---
(Deficiency) of revenue received over expenditures disbursed and other financing sources		(18,367)		(22,827)
<b>Fund balance, beginning of year</b>		<u>83,981</u>		<u>106,808</u>
<b>Fund balance, end of year</b>		<u>\$ 65,614</u>		<u>\$ 83,981</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN FUND BALANCE  
CASH BASIS - COMPARED TO BUDGET

LOCAL OPTION SALES TAX FUND

For the Year Ended June 30, 2008  
With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008		Variance- favorable (unfavorable)	UNAUDITED
	Budget	Actual		2007
				Actual
<b><i>Revenue received</i></b>				
Local option sales tax	\$ 70,000	\$ 77,801	\$ 7,801	\$ 74,389
Interest	5,000	7,912	2,912	75
Total revenue received	<u>\$ 75,000</u>	<u>85,713</u>	<u>\$ 10,713</u>	<u>74,464</u>
<b><i>Expenditures disbursed</i></b>				
Community beautification				
Grounds maintenance	\$ ---	---	\$ ---	552
Capital projects				
Vehicles	5,500	---	5,500	---
Office equipment	2,000	---	2,000	---
Other capital expenditures	37,500	51,111	(13,611)	25,961
Infrastructure	8,000	---	8,000	---
Other capital outlay	22,000	11,431	10,569	---
Total expenditures disbursed	<u>\$ 75,000</u>	<u>62,542</u>	<u>\$ 12,458</u>	<u>26,513</u>
Excess of revenue received over expenditures disbursed		23,171		47,951
<b><i>Fund balance, beginning of year</i></b>		<u>181,855</u>		<u>133,904</u>
<b><i>Fund balance, end of year</i></b>		<u>\$ 205,026</u>		<u>\$ 181,855</u>

CITY OF LONG GROVE, IOWA

STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN FUND BALANCE  
CASH BASIS - COMPARED TO BUDGET

DEBT SERVICE FUND

For the Year Ended June 30, 2008

	2008		Variance- favorable (unfavorable)
	Budget	Actual	
<b>Revenue received</b>			
Property taxes	\$ ---	---	\$ ---
Interest	---	---	---
Total revenue received	<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>
<b>Expenditures disbursed</b>			
Debt service paid			
Principal paid	\$ ---	---	\$ ---
Interest paid	---	---	---
Total expenditures disbursed	<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>
Excess of revenue received over expenditures disbursed		---	
<b>Other financing sources (uses)</b>			
General obligation debt receipts	\$ ---	773,052	\$ (773,052)
Transfers out	---	(773,052)	773,052
Total other financing sources (uses)	<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>
Excess of revenue received over expenditures disbursed and other financing sources (uses)		---	
<b>Fund balance, beginning of year</b>		<u>---</u>	
<b>Fund balance, end of year</b>		<u>\$ ---</u>	

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
CASH BASIS

ENTERPRISE FUNDS

June 30, 2008 and Unaudited 2007

	Water Fund	Sewer Fund	Electric Fund	Totals	
				2008	2007 Unaudited
<b>ASSETS</b>					
Cash	\$ 137,152	\$ 638,341	\$ 70,855	\$ 846,348	\$ 119,785
Certificates of deposit - unrestricted	146,510	140,862	304,049	591,421	566,255
Certificates of deposit - sinking funds	21,690	23,305	29,692	74,687	71,036
Construction in process	---	953,921	---	953,921	98,163
Total assets	\$ 305,352	\$ 1,756,429	\$ 404,596	\$ 2,466,377	\$ 855,239

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>					
Notes payable	\$ ---	\$ 773,052	\$ ---	\$ 773,052	\$ ---
<b>Net assets</b>					
Undesignated, unreserved	305,352	983,377	404,596	1,693,325	855,239
Total net assets	305,352	983,377	404,596	1,693,325	855,239
Total liabilities and net assets	\$ 305,352	\$ 1,756,429	\$ 404,596	\$ 2,466,377	\$ 855,239

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN NET ASSETS - CASH BASIS

ENTERPRISE FUNDS

For the Year Ended June 30, 2008  
With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	Water Fund	Sewer Fund	Electric Fund	Totals	
				2008	2007 Unaudited
<b>Revenue received</b>					
Utility sales	\$ 97,474	\$ 94,837	\$ 297,219	\$ 489,530	\$ 469,096
Miscellaneous	14,022	500	1,194	15,716	1,741
Total revenue received	111,496	95,337	298,413	505,246	470,837
<b>Expenditures disbursed</b>					
Salaries and benefits	47,915	47,751	51,326	146,992	144,578
Meetings / training	991	452	1,922	3,365	3,522
Utilities	---	461	---	461	2,583
Maintenance and repairs	3,556	2,525	2,299	8,380	33,799
Insurance	4,298	4,297	4,297	12,892	22,755
Wholesale power purchased	---	---	204,916	204,916	186,602
Other office expenses	15,770	13,867	7,992	37,629	23,761
Capital expenditures	38,999	---	19,015	58,014	46,613
Total expenditures disbursed	111,529	69,353	291,767	472,649	464,213
Excess (deficiency) of revenue received over expenditures disbursed	(33)	25,984	6,646	32,597	6,624
<b>Other financing sources</b>					
Interest on investments	9,346	9,145	13,946	32,437	377
Transfers in	---	773,052	---	773,052	---
Total other financing sources	9,346	782,197	13,946	805,489	377
Changes in net assets	9,313	808,181	20,592	838,086	7,001
<b>Net assets, beginning of year</b>	296,039	175,196	384,004	855,239	848,238
<b>Net assets, end of year</b>	\$ 305,352	\$ 983,377	\$ 404,596	\$ 1,693,325	\$ 855,239

**CITY OF LONG GROVE, IOWA**  
**STATEMENT OF REVENUE RECEIVED, EXPENDITURES**  
**DISBURSED AND CHANGES IN NET ASSETS**  
**CASH BASIS - COMPARED TO BUDGET**

**WATER FUND**

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<b>Revenue received</b>				
Water sales	\$ 99,000	\$ 97,474	\$ (1,526)	\$ 70,823
Miscellaneous	6,900	14,022	7,122	300
Total revenue	<u>\$ 105,900</u>	<u>111,496</u>	<u>\$ 5,596</u>	<u>71,123</u>
<b>Expenditures disbursed</b>				
Salaries	\$ 35,300	34,613	\$ 687	33,105
Payroll taxes	2,550	3,385	(835)	2,869
Iowa public employees retirement	2,015	2,174	(159)	2,025
Employee insurance	7,524	7,743	(219)	9,471
Meetings and conferences	1,000	991	9	1,654
Utilities	3,600	---	3,600	1,307
Other maintenance and repairs	13,000	3,556	9,444	16,448
Engineering	1,000	---	1,000	1,710
Insurance	5,000	4,298	702	7,585
Legal	1,000	813	187	670
Payments to others	9,000	---	9,000	---
Testing	1,000	1,648	(648)	1,079
Office supplies	2,300	13,309	(11,009)	7,928
Other capital expenditures	5,000	1,488	3,512	2,400
Other capital outlay	40,000	37,511	2,489	---
Total expenditures disbursed	<u>\$ 129,289</u>	<u>111,529</u>	<u>\$ 17,760</u>	<u>88,251</u>
(Deficiency) of revenue received over expenditures disbursed		(33)		(17,128)
<b>Non-operating revenue</b>				
Transfers in	\$ 19,389	---	\$ (19,389)	---
Interest on investments	4,000	9,346	5,346	141
Total non-operating revenue	<u>\$ 23,389</u>	<u>9,346</u>	<u>\$ (14,043)</u>	<u>141</u>
Changes in net assets		9,313		(16,987)
Net assets, beginning of year		<u>296,039</u>		<u>313,026</u>
Net assets, end of year		<u>\$ 305,352</u>		<u>\$ 296,039</u>

**CITY OF LONG GROVE, IOWA**

**STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN NET ASSETS  
CASH BASIS - COMPARED TO BUDGET**

**SEWER FUND**

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008		Variance- favorable (unfavorable)	UNAUDITED
	Budget	Actual		2007 Actual
<b><i>Revenue received</i></b>				
Sewer sales	\$ 1,184,000	\$ 94,837	\$ (1,089,163)	\$ 95,453
Miscellaneous	---	500	500	75
Total revenue	<u>\$ 1,184,000</u>	<u>95,337</u>	<u>\$ (1,088,663)</u>	<u>95,528</u>
<b><i>Expenditures disbursed</i></b>				
Salaries	\$ 35,300	34,598	\$ 702	34,229
Payroll taxes	2,550	3,235	(685)	2,685
Iowa public employees retirement	2,015	2,174	(159)	2,101
Employee insurance	7,524	7,744	(220)	9,417
Meetings and conferences	1,000	452	548	182
Utilities	5,400	461	4,939	1,276
Building maintenance	---	92	(92)	27
Other maintenance and repairs	8,000	1,543	6,457	5,046
Engineering	1,000	890	110	3,978
Insurance	5,000	4,297	703	7,585
Legal	1,000	2,350	(1,350)	812
Testing	6,400	5,452	948	4,555
Office supplies	2,300	4,537	(2,237)	4,617
Operating supplies	8,000	1,528	6,472	---
Other capital outlay	1,094,911	---	1,094,911	---
Other capital expenditures	8,000	---	8,000	---
Total expenditures disbursed	<u>\$ 1,188,400</u>	<u>69,353</u>	<u>\$ 1,119,045</u>	<u>76,510</u>
Excess of revenue received over expenditures disbursed		25,984		19,018
<b><i>Other financing sources</i></b>				
Interest on investments	\$ 4,400	9,145	\$ 4,745	116
Transfers in	---	773,052	(773,052)	---
Total other financing sources	<u>\$ 4,400</u>	<u>782,197</u>	<u>\$ (768,307)</u>	<u>116</u>
Changes in net assets		808,181		19,134
<b><i>Net assets, beginning of year</i></b>		<u>175,196</u>		<u>156,062</u>
<b><i>Net assets, end of year</i></b>		<u>\$ 983,377</u>		<u>\$ 175,196</u>

**CITY OF LONG GROVE, IOWA**

**STATEMENT OF REVENUE RECEIVED, EXPENDITURES  
DISBURSED AND CHANGES IN NET ASSETS  
CASH BASIS - COMPARED TO BUDGET**

**ELECTRIC FUND**

For the Year Ended June 30, 2008

With Comparative Actual Unaudited Amounts for the Year Ended June 30, 2007

	2008			UNAUDITED
	Budget	Actual	Variance- favorable (unfavorable)	2007 Actual
<b>Revenue received</b>				
Electric sales	\$ 303,000	\$ 297,219	\$ (5,781)	\$ 302,820
Miscellaneous	---	1,194	1,194	1,366
Total revenue	<u>\$ 303,000</u>	<u>298,413</u>	<u>\$ (4,587)</u>	<u>304,186</u>
<b>Expenditures disbursed</b>				
Salaries	\$ 36,300	36,462	\$ (162)	33,899
Payroll taxes	2,550	4,361	(1,811)	3,093
Iowa public employees retirement	2,015	2,174	(159)	2,268
Employee insurance	7,524	8,329	(805)	9,416
Meetings and conferences	1,000	1,922	(922)	1,686
Operational equipment	2,000	221	1,779	---
Other maintenance and repairs	13,000	2,078	10,922	6,590
Engineering	2,000	---	2,000	---
Insurance	5,000	4,297	703	7,585
Legal	1,000	1,375	(375)	1,369
Wholesale power	200,000	204,916	(4,916)	186,602
Office supplies	2,300	3,122	(822)	2,731
Operating supplies	5,000	3,495	1,505	---
Other capital expenditures	---	18,430	(18,430)	25,615
Other capital outlays	30,311	585	29,726	18,598
Total expenditures disbursed	<u>\$ 310,000</u>	<u>291,767</u>	<u>\$ 18,233</u>	<u>299,452</u>
Excess of revenue received over expenditures disbursed		6,646		4,734
<b>Non-operating revenue</b>				
Interest on investments	<u>\$ 7,000</u>	<u>13,946</u>	<u>\$ 6,946</u>	<u>120</u>
Changes in net assets		20,592		4,854
<b>Net assets, beginning of year</b>		<u>384,004</u>		<u>379,150</u>
<b>Net assets, end of year</b>		<u>\$ 404,596</u>		<u>\$ 384,004</u>

**CITY OF LONG GROVE, IOWA**

**SINGLE AUDIT REPORT**

**June 30, 2008**

**CITY OF LONG GROVE, IOWA  
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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 Mayor and City Council  
City of Long Grove, Iowa  
Long Grove, Iowa

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Long Grove, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 12, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; 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 my audit, I considered the City of Long Grove, Iowa's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in the internal control that might be either a significant deficiency or material weaknesses. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. I noted one matter involving the internal control over financial reporting and its operation that I consider to be a material weakness:

**SEGREGATION OF DUTIES**

During my audit I noted the City has a lack of segregation of duties due to its size and staffing levels. As hiring additional employees to possibly circumvent this situation is not usually cost-beneficial, I recommend the City Council maintain appropriate oversight of management to ensure adequate controls in this area.

I also noted other matters involving the internal control over financial reporting, which included control deficiencies, that I have reported to management of the City of Long Grove, Iowa, in a separate letter dated June 12, 2009.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City of Long Grove, Iowa, financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City of Long Grove, Iowa, and are reported in Part II of the accompanying schedule of Findings and Questioned Costs. Since my 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. There were no prior statutory comments and recommendations.

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 Long Grove, Iowa, and other parties to whom the City of Long Grove, Iowa, may report, and is not intended to be and should not be used by anyone other than those specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Long Grove during the course of my audit. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

  
Davenport, Iowa  
June 12, 2009

Tom Engelmann, CPA

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Report on compliance with requirements applicable to  
the major program and internal control over compliance  
in accordance with OMB Circular A -133

To the Mayor and City Council  
City of Long Grove, Iowa  
Long Grove, Iowa

Compliance

I have audited the compliance of the City of Long Grove, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A -133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the management of the City of Long Grove, Iowa. My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; 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 provisions require that I 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 the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

In my opinion, the City of Long Grove, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be either a material weakness or significant deficiency. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted one matter involving internal control over compliance and its operation that I consider to be a material weakness, noted in Part II of the Schedule of Findings and Questioned Costs as Finding A-1.

The City of Long Grove, Iowa's response to the finding identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the City's response and, accordingly, I express no opinion on it.

#### Schedule of Expenditures of Federal Awards

I have audited the financial statements of governmental activities, the business-type activities and each major fund of the City of Long Grove, Iowa, as of and for the year ended June 30, 2008, and have issued my report thereon dated June 12, 2009. My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements of the City of Long Grove, Iowa. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

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 Long Grove, Iowa, and other parties to whom the City of Long Grove, Iowa, 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 those specified parties.



Davenport, Iowa

June 12, 2009

**CITY OF LONG GROVE, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2008**

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Program Expenditures</u>	<u>Loan Payable Balance</u>
Direct:				
None	---	---	---	
Indirect:				
Environmental Protection Agency	66.458	CWSRF CS192327-01	<u>\$ 821,545</u>	<u>\$ 1,546,104</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Long Grove, Iowa, and is presented on the cash 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 financial statements.

**CITY OF LONG GROVE, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2008**

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

- (a) A qualified opinion was issued on the financial statements.
- (b) One material weakness in internal control over financial reporting was identified - See A-1 below.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) One material weakness in internal control over the major federal program was identified – See A-1 below.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose 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 is as follows:
  - CFDA Number 66.458 - Environmental Protection Agency
- (h) The dollar threshold used to distinguish between type A and Type B programs was \$ 300,000.
- (i) The City of Long Grove, Iowa did not qualify as a low risk auditee.

**Part II Schedule of Findings and Questioned Costs:**

Finding A-1: Environmental Protection Agency loan

**Condition:** SEGREGATION OF DUTIES

During my audit I noted the City has a lack of segregation of duties due to its size and staffing levels.

**Recommendation:** As hiring additional employees to possibly circumvent this situation is not usually cost-beneficial, I recommend the City Council maintain appropriate oversight of management to ensure adequate controls in this area.

**CITY OF LONG GROVE, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2008**

**Part III Other Findings Related to Statutory Reporting:**

*Finding III – A – 08:* CERTIFIED BUDGET – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

*Finding III – B – 08:* QUESTIONABLE EXPENDITURES – I noted no expenditures that I believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

*Finding III – C – 08:* TRAVEL EXPENSE – No expenditure of City money for travel expenses of spouses of City officials or employees was noted.

*Finding III – D – 08:* BOND COVERAGE – Surety bond coverage of City Officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

*Finding III – E – 08:* COUNCIL MINUTES – No transactions were found that we believe should have been approved in the Council minutes but were not.

*Finding III – F – 08:* DEPOSITS AND INVESTMENTS – No instances of non compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.