

CITY OF LONG GROVE, IOWA

AUDITED FINANCIAL STATEMENTS

June 30, 2010

**CITY OF LONG GROVE, IOWA
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CITY OF LONG GROVE, IOWA

OFFICIALS

June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack L Hill	Mayor	Jan 2012
Donald Abington, Jr.	Council Member	Jan 2012
Brian Schmidt	Council Member	Jan 2012
Shannon Hambly	Council Member	Jan 2012
Ida Weibel	Council Member	Jan 2014
Don Thiessen	Council Member	Jan 2014
Susan Lensch Mahannah	Clerk/Treasurer	Indefinite

Tom Engelmann, CPA

1111 East River Drive, Davenport, Iowa 52803
(563) 323-3568 FAX (563) 326-6204

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, 2010, 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 the basis of cash receipts and disbursements, 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, 2010, and the respective changes in financial position – 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 4 to 8 and the budgetary comparison schedule of receipts, disbursements and changes in fund balances on page 22 are 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 December 16, 2010, 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. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, located on pages 28-29 of this 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 opinions on the financial statements that collectively comprise the City of Long Grove's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The other supplementary information and 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, 2010, 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.


Davenport, Iowa
December 16, 2010

CITY OF LONG GROVE, IOWA MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$ 37,000 from fiscal 2009 to fiscal 2010. Property tax receipts increased approximately \$43,000.
- Disbursements of the City's governmental activities decreased approximately \$ 11,000 in fiscal year 2010 from fiscal year 2009.
- The City's total cash basis net assets increased approximately \$108,000 from fiscal 2009 to fiscal 2010 due to a full year debt service property tax levy. Of this amount, the assets of the governmental activities increased approximately \$59,000 and the assets of the business type activities increased by approximately \$49,000.

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 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 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.

Other Supplementary Information provides detailed information on the indebtedness of the City as of year end and its obligations into the future and functional receipts and disbursements for the last six years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAISIS 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 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 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 and decreased 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 local option sales tax finance nearly all of these activities.
- 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, 2) Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax and 3) Debt Service Fund. 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 Enterprise 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 from \$ 417,220 to \$476,373. The analysis that follows focuses on the changes in cash balance for governmental activities.

CHANGES IN CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES

	Year ended June 30	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 12,916	\$ 13,791
Capital Grants and restricted interest	1,000	---
General receipts:		
Property tax	276,636	233,982
Local option sales tax	72,774	78,910
Intergovernmental	55,379	56,910
Unrestricted interest on investments	7,509	7,429
Miscellaneous	3,036	866
Total receipts	429,250	391,888

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED):

CHANGES IN CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES

	Year ended June 30	
	2010	2009
<i>Disbursements:</i>		
Public safety	\$ 25,087	\$ 32,951
Public works	134,211	140,417
Culture and recreation	32,859	40,392
Community and economic development	2,375	2,710
General government	45,656	38,763
Debt service	75,980	71,504
Total disbursements	316,169	326,737
Change in cash basis net assets before interfund borrowing	113,081	65,151
Interfund borrowing	(53,926)	(60,529)
Change in cash basis net assets	59,154	4,622
<i>Cash basis net assets, beginning of year</i>	417,219	412,597
<i>Cash basis net assets, end of year</i>	\$ 476,373	\$ 417,219

The City's total receipts for governmental activities increased by \$37,361 or 9.53%. The total cost of all programs and services decreased by \$ 10,568 due declines in public safety, public works and culture and recreation

Property tax receipts increased by \$ 42,654 from 2009 to 2010, due to 2010 being the first full year of the new debt service levy imposed to pay for sewer general obligation bonds.

The cost of all governmental activities this year was approximately \$ 316,000 compared to \$327,000 last year. However, as shown on the Statement of Activities and net assets on page 11, the amount taxpayers ultimately financed for these activities was only \$ 302,000 because some of the cost was paid by those directly benefited from the programs (\$ 13,000) or by other organizations that subsidized certain programs with a grant (\$1,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED):

CHANGES IN CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES

	Year ended June 30	
	2010	2009
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 103,436	\$ 104,823
Sewer	181,882	175,479
Electric	328,510	321,420
General receipts:		
Unrestricted interest on investments	11,845	21,968
Bond proceeds	5,000	---
Other general receipts	7,941	15,157
Total receipts	638,614	638,847
Disbursements:		
Water	84,399	78,692
Sewer	164,678	88,337
Electric	318,831	282,751
Debt service	76,130	76,771
Total disbursements	644,038	526,551
Change in cash basis net assets before interfund borrowing	(5,424)	112,296
Interfund borrowing	53,926	15,842
Change in cash basis net assets	48,502	128,138
Cash basis net assets, beginning of year	959,304	831,166
Cash basis net assets, end of year	\$ 1,007,806	\$ 959,304

Total business type activities receipts for the fiscal year were \$ 638,614 compared to \$ 638,847 last year. Total business type activities disbursements for the fiscal year were \$ 644,038 compared to \$526,551 last year. The increase in disbursements was mainly due to the final payment on the wastewater treatment construction project in the sewer fund combined with some equipment purchases to furnish the plant. Electric wholesale usage and rates increased in the electric fund. Cash balances increased due to borrowing from the general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS

As the City of Long Grove completed the year, its governmental funds reported a combined fund balance of \$ 476,373, an increase of \$ 59,154 from above last year's total of \$ 417,219. The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$ 29,626 from the prior year to \$ 49,002. The decrease was due to the general fund lending to other funds \$ 65,444 and transferring to the Debt Service Fund \$32,847.
- The Road Use Tax Fund cash balance increased \$1,441 during the fiscal year to \$ 79,209. This was due to borrowing from the General Fund.
- The Local Option Sales Tax Fund increased by \$55,165 to \$318,988 during the fiscal year. This was attributable to decreased expenditures.
- The Debt Service Fund cash balance increased by \$ 32,174, essentially due to the transfer in from the General Fund of \$ 32,847.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$30,424 to \$381,230, due primarily to increased usage and lower expenditures than budgeted.
- The Sewer Fund cash balance increased by \$3,053 to \$172,294, due to interfund borrowing and the receipt of the final bond proceeds from the wastewater treatment plant project.
- The Electric Fund cash balance increased by \$15,025 to \$454,282, due primarily to increased usage more than offsetting higher expenditures.

BUDGETARY HIGHLIGHTS

The budget was amended twice during fiscal 2010. The first amendment primarily was due to unknown wastewater treatment facility costs actually incurred when the original fiscal 10 budget was prepared. The second and final amendment was approved May 11, 2010 to correct classification of receipts and provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs. Both the original and amended budgets included large amounts for completion of the wastewater treatment plant project that were not incurred.

The City's receipts were \$ 670,785 less than budgeted, mainly due to not needing to fund the wastewater treatment plant project previously mentioned.

The City's disbursements exceeded the final budgeted amounts in the public works function by \$25,963 mainly due to large expenditures in the Road Use Tax Fund. The City's general government function also exceeded the amended budget amount by \$ 799. Other functions of the City did not exceed final, amended budget levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

As of June 30, 2010 the City had State Revolving Loans in the amount of \$2,010,000 outstanding, compared to \$ 2,089,000 last year. Fifty percent of the loan is General Obligation debt and fifty percent is in Sewer Revenue Bonds. Scheduled below is the outstanding debt at year end:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
General Obligation debt	\$ 1,005,000	\$ 1,042,000
Sewer Revenue Bonds	<u>1,005,000</u>	<u>1,047,000</u>
Total	<u>\$ 2,010,000</u>	<u>\$ 2,089,000</u>

Debt increased due to the receipt of the final draw on the revolving loan and decreased due to regularly scheduled payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 1,005,000 is below its constitutional debt limit of approximately \$ 1.2 million.

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 2011 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. Other factors include projected needs for services, anticipated costs of supporting the City and projected receipts.

These factors were taken into account when adopting the budget for fiscal year 2011. Budgeted disbursements are expected to decrease due to final completion of the wastewater treatment facility.

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 Jackie Wilcox, City Clerk, 104 S. First Street, Long Grove, Iowa 52756. Phone 563-285-4904

CITY OF LONG GROVE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

For the Year Ended June 30, 2010

Functions / Programs	Program receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Capital grants and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Public safety	\$ 25,087	\$ 81	---	\$ (25,006)	\$ ---	\$ (25,006)
Public works	134,211	4,236	---	(129,975)	---	(129,975)
Culture and recreation	32,859	---	1,000	(31,859)	---	(31,859)
Community and economic development	2,375	---	---	(2,375)	---	(2,375)
General government	45,656	8,599	---	(37,057)	---	(37,057)
Debt service	75,980	---	---	(75,980)	---	(75,980)
Total governmental activities	316,169	12,916	1,000	(302,253)	---	(302,253)
Business type activities:						
Water	84,399	103,436	---	---	19,037	19,037
Sewer	240,808	181,882	---	---	(58,926)	(58,926)
Electric	318,831	328,510	---	---	9,679	9,679
Total business type activities	644,038	613,828	---	---	(30,210)	(30,210)
Total	\$ 960,207	\$ 626,744	\$ 1,000	(302,253)	(30,210)	(332,463)
General receipts						
Property and other city tax levied for:						
General purposes				201,334	---	201,334
Debt service				75,301	---	75,301
Local option sales tax				72,774	---	72,774
Intergovernmental				55,379	---	55,379
Unrestricted interest on investments				7,509	11,845	19,354
Bond proceeds				---	5,000	5,000
Miscellaneous				3,036	7,941	10,977
Interfund borrowing				(53,926)	53,926	---
Total general receipts and transfers				361,407	78,712	440,119
Change in cash basis net assets				59,154	48,502	107,656
Cash basis net assets, beginning of year				417,219	959,304	1,376,523
Cash basis net assets, end of year				\$ 476,373	\$ 1,007,806	\$ 1,484,179
Cash basis net assets						
Restricted:						
Debt service				\$ 32,174	\$ ---	\$ 32,174
Park improvements				620	---	620
Unrestricted				443,579	1,007,806	1,451,385
Total cash basis net assets				\$ 476,373	\$ 1,007,806	\$ 1,484,179

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2010

	General Fund	Special Revenue		Debt Service	Total Governmental Funds
		Road Use Tax	Local Option Sales Tax		
Receipts:					
Property taxes	\$ 201,334	\$ ---	\$ ---	\$ 75,301	\$ 276,635
Other city tax	3,035	---	72,774	---	75,809
Licenses and permits	3,350	---	---	---	3,350
Use of money and property	3,630	1,440	2,433	6	7,509
Intergovernmental	---	55,379	---	---	55,379
Grant received	1,000	---	---	---	1,000
Charges for service	9,485	---	---	---	9,485
Miscellaneous	81	---	---	---	81
Total receipts	<u>221,915</u>	<u>56,819</u>	<u>75,207</u>	<u>75,307</u>	<u>429,248</u>
Disbursements:					
Operating:					
Public safety	25,087	---	---	---	25,087
Public works	47,273	66,896	20,042	---	134,211
Culture and recreation	32,859	---	---	---	32,859
Community and economic development	2,375	---	---	---	2,375
General government	45,656	---	---	---	45,656
Debt service	---	---	---	75,980	75,980
Total disbursements	<u>153,250</u>	<u>66,896</u>	<u>20,042</u>	<u>75,980</u>	<u>316,168</u>
Excess (deficiency) of receipts over disbursements	68,665	(10,077)	55,165	(673)	113,080
Other financing sources (uses)					
Transfers in (out)	(32,847)	---	---	32,847	---
Interfund borrowing	(65,444)	11,518	---	---	(53,926)
Total other financing sources (uses)	<u>(98,291)</u>	<u>11,518</u>	<u>---</u>	<u>32,847</u>	<u>(53,926)</u>
Net changes in cash balances	(29,626)	1,441	55,165	32,174	59,154
Cash balances, beginning of year	75,628	77,768	263,823	---	417,219
Cash balances, end of year	<u>\$ 46,002</u>	<u>\$ 79,209</u>	<u>\$ 318,988</u>	<u>\$ 32,174</u>	<u>\$ 476,373</u>
Cash basis fund balances					
Reserved for debt service	\$ ---	\$ ---	\$ ---	\$ 32,174	\$ 32,174
Reserved for park improvements	620	---	---	---	620
Unreserved:					
General fund	45,382	---	---	---	45,382
Special revenue funds	---	79,209	318,988	---	398,197
Total cash basis fund balances	<u>\$ 46,002</u>	<u>\$ 79,209</u>	<u>\$ 318,988</u>	<u>\$ 32,174</u>	<u>\$ 476,373</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

As of and for the Year Ended June 30, 2010

	Water	Sewer	Electric	Totals
<i>Operating receipts</i>				
Charges for service	\$ 103,436	\$ 181,882	\$ 328,510	\$ 613,828
Miscellaneous	7,935	---	6	7,941
Total operating receipts	<u>111,371</u>	<u>181,882</u>	<u>328,516</u>	<u>621,769</u>
<i>Operating disbursements</i>				
Business type activities	<u>84,399</u>	<u>164,678</u>	<u>318,831</u>	<u>567,908</u>
Excess of operating receipts over operating disbursements	<u>26,972</u>	<u>17,204</u>	<u>9,685</u>	<u>53,861</u>
<i>Non-operating receipts (disbursements)</i>				
Interest on investments	3,452	3,053	5,340	11,845
Bond proceeds received	---	5,000	---	5,000
Debt service paid	---	(76,130)	---	(76,130)
Interfund borrowing	---	53,926	---	53,926
Net non-operating receipts (disbursements)	<u>3,452</u>	<u>(14,151)</u>	<u>5,340</u>	<u>(5,359)</u>
Net change in cash balances	30,424	3,053	15,025	48,502
<i>Cash balances, beginning of year</i>	<u>350,806</u>	<u>169,241</u>	<u>439,257</u>	<u>959,304</u>
<i>Cash balances, end of year</i>	<u>\$ 381,230</u>	<u>\$ 172,294</u>	<u>\$ 454,282</u>	<u>\$ 1,007,806</u>
<i>Cash basis fund balances</i>				
Unreserved	<u>\$ 381,230</u>	<u>\$ 172,294</u>	<u>\$ 454,282</u>	<u>\$ 1,007,806</u>

See accompanying notes to the basic financial statements.

CITY OF LONG GROVE, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 by the *Governmental Accounting Standards Board* (GASB). These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the City to impose its will on the organization or (2) the potential for the organization to provide specific benefits or impose specific financial burdens on the City. The City has no component units which meet the GASB 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. City officials are members of the following boards and commissions; Scott County Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Landfill Commission and Scott County Joint E911 Service Board.

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.

Basis of presentation

GOVERNMENT WIDE FINANCIAL STATEMENTS The statement of activities and net assets reports information on all 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.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Basis of presentation, continued

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 or enabling legislation,

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

The statement of activities and net assets 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 and business type funds are reported as separate columns in the fund financial statements. All governmental funds are reported as major governmental funds.

The City reports the following major governmental funds:

General Fund - 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 not paid from other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific receipts that are legally restricted to disbursements for specified purposes. The City includes the following special revenue funds, both of which are major:

Road Use Tax accounts for allocation of State shared receipts legally restricted to streets and alley improvements.

Local Option Sales Tax accounts for the receipts and disbursements of sales taxes imposed via referendum that is legally restricted via the language within the referendum.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

Basis of presentation, continued

Debt Service Fund is used to account for the payment of interest and principal on the City's general long term debt.

Proprietary Type Funds

Proprietary funds are used to account for business like activities provided to the general public. These activities are financed primarily by user charges. The City includes the following proprietary funds as major funds:

Water Fund accounts for the operation and maintenance of the system responsible for the pumping, treatment and distribution of potable water to the citizens of the City.

Sewer Fund accounts for the operation and maintenance of the wastewater treatment plant and the system responsible for the collection of wastewater generated by the citizens of the City.

Electric Fund accounts for the operation and maintenance of the system responsible for the distribution of electricity to the citizens of the City.

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.

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.

Under the terms of grant agreements, the City funds certain projects by a combination of specific cost reimbursement grants and general receipts. Thus, when project disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the project. It is the City's policy to first apply cost reimbursement grant proceeds to such projects, followed 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.

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 for all funds of the City are adopted on the cash basis, which is not consistent with generally accepted accounting principles (GAAP). Budget comparisons presented in this report are on this non-GAAP basis. The budgetary comparisons and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 disbursements exceed the amounts budgeted in the Road Use Tax Fund.

Capital assets

No capital assets are accounted for or reported as assets, due to use of the cash basis of reporting

Long term debt

No long term debt incurred by the City is accounted for or reported as liabilities due to the cash basis of reporting.

Interfund activities

In the process of aggregating the financial information for the government-wide 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 or as interfund borrowings where repayment is expected.

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies, continued

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 and pooled 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 \$ 1,484,878 and the bank balances were \$ 1,496,383. 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. The City's deposits are not exposed to custodial credit risk as of June 30, 2010.

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

At June 30, 2010 the City had the following certificates of deposit:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 69,814	\$ 69,814	12-7-10
First Central State Bank	148,243	148,243	8-10-10
First Central State Bank	261,249	261,249	1-20-11
Valley State Bank	311,982	311,982	3-11-11
Valley State Bank	66,675	66,675	6-7-11
Valley State Bank	<u>85,252</u>	<u>85,252</u>	6-24-11
Totals	<u>\$ 943,215</u>	<u>\$ 943,215</u>	

NOTES TO FINANCIAL STATEMENTS

Note 2 Cash and pooled investments, continued

At June 30, 2010 the City's certificates of deposit were allocated between unrestricted and temporarily restricted – sinking funds as follows:

Type	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Certificates of Deposit:</u>			
First Central State Bank	\$ 69,814	\$ 69,814	\$ ---
First Central State Bank	148,243	87,307	60,936
First Central State Bank	261,249	254,352	6,897
Valley State Bank	311,982	311,982	---
Valley State Bank	66,675	66,675	---
Valley State Bank	<u>85,252</u>	<u>74,337</u>	<u>10,915</u>
Totals	<u>\$ 943,215</u>	<u>\$ 864,467</u>	<u>\$ 78,748</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, 2010:

Debt payable at July 1, 2009	\$ 2,089,000
Debt assumed during the year	5,000
Principal repaid	<u>(84,000)</u>
Debt payable at June 30, 2010	<u>\$ 2,010,000</u>

Debt payable at June 30, 2010, 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	\$ 1,005,000
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NOTES TO FINANCIAL STATEMENTS

Note 3 Changes in long-term debt, continued

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

1,005,000

Total long term debt payable

\$ 2,010,000

The City has pledged future sewer customer receipts, net of specific operating disbursements, to repay the \$ 1,005,000 in sewer revenue bonds issued May 14, 2008. Proceeds from the bonds provided financing for the construction of a new wastewater treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to require less than 87 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 42,000 and \$ 34,130, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provision: The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.

Projected annual debt service requirements to maturity, including principal and interest as of June 30, 2010, are as follows:

Maturing during year <u>ending June, 30</u>	<u>General Obligation Debt</u>		<u>Business Type Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	47,000	26,160	47,000	26,160
2015	48,000	24,750	48,000	24,750
2016-2020	264,000	101,160	264,000	101,160
2021-2025	306,000	59,130	306,000	59,130
2026-2028	<u>207,000</u>	<u>12,540</u>	<u>207,000</u>	<u>12,540</u>
	<u>\$ 1,005,000</u>	<u>\$ 310,290</u>	<u>\$ 1,005,000</u>	<u>\$ 310,290</u>

NOTES TO FINANCIAL STATEMENTS

Note 4 Interfund transfers / loans

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	General Fund	<u>\$ 32,847</u>

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

The detail of interfund loans as of June 30, 2010 is as follows:

<u>Receivable at</u>	<u>Payable from</u>	<u>Amount</u>
General Fund	Road Use Tax Fund	\$ 53,840
General Fund	Debt Service Fund	1,000
General Fund	Sewer Fund	337,246
Sewer Fund	Debt Service Fund	31,847

Note 5 Property taxes

Property tax revenues have been recorded on the "cash basis", therefore, only property tax distributions received on or before June 30, 2010, 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 15th 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 10, 2009. 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.

A debt service levy of \$ 1.66863 per thousand valuation was imposed by the Council effective with the levy certified as of March of 2008 and collectible last year, to provide the resources for the general obligation bond debt service.

Note 6 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.

NOTES TO FINANCIAL STATEMENTS

Note 6 Pension plan, continued

Regular plan members are required to contribute 4.5 percent of their annual covered salary, with the City contributing 6.95 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, which was equal to the required contribution, was \$ 11,222, \$ 10,387 and \$ 9,521 for the years ended June 30, 2010, 2009 and 2008, respectively.

Note 7 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 8 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 44, Sewer fund on page 45, and the Electric fund on page 46.

Note 9 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 liability for earned vacation and sick leave termination payments payable to employees is split among the general, road use and enterprise funds and based on rates of pay as of that date.

The total accumulated compensated absences as of June 30, 2010 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 2,703
Sick leave	43,657
Compensatory time in lieu of overtime	<u>989</u>
Total	<u>\$ 47,349</u>

NOTES TO FINANCIAL STATEMENTS

Note 10 Commitments and contingencies

The City as of June 30, 2010 is obligated for \$ 22,497 on the purchase of a new police vehicle.

Note 11 Subsequent events

The City paid \$ 8,903 to the former City Clerk in September, 2010 for accumulated compensated absences.

The City submitted a grant proposal prior to June 30, 2010, jointly with the City of Eldridge and Scott County, for the construction of a bike path linking Eldridge and Long Grove, with a local cost sharing match included. During October, 2010 the City learned the grant was awarded, with Eldridge being the lead local agency.

Note 12 Overall budgetary comparison

The City's budgetary compliance is presented on page 24 for all Governmental and Proprietary 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property taxes	\$ 276,635	\$ ---	\$ 276,635	\$ 277,091	\$ 276,636	\$ (1)
Other city tax	75,809	---	75,809	73,206	69,861	5,948
Licenses and permits	3,350	---	3,350	2,000	2,000	1,350
Use of money and property	7,509	11,845	19,354	6,300	32,547	(13,193)
Intergovernmental	55,379	---	55,379	53,432	53,432	1,947
Charges for service	9,485	613,828	623,313	1,324,418	1,290,506	(667,193)
Miscellaneous	1,081	7,941	9,022	1,000	8,665	357
Total receipts	429,248	633,614	1,062,862	1,737,447	1,733,647	(670,785)
Disbursements:						
Public safety	25,087	---	25,087	35,100	35,100	10,013
Public works	134,211	---	134,211	103,248	108,248	(25,963)
Culture and recreation	32,859	---	32,859	50,247	50,247	17,388
Community and economic development	2,375	---	2,375	10,500	10,500	8,125
General government	45,656	---	45,656	44,307	44,857	(799)
Capital projects	---	---	---	68,800	68,800	68,800
Business type activities	---	567,908	567,908	1,349,220	1,349,220	781,312
Total disbursements	240,188	567,908	808,096	1,661,422	1,666,972	858,876
Excess of receipts over disbursements	189,060	65,706	254,766	76,025	66,675	188,091
Other financing sources (uses):						
Transfers (out)	---	---	---	(118,146)	(241,842)	241,842
Transfers in	---	---	---	118,146	241,842	(241,842)
Debt service paid	(75,980)	(76,130)	(152,110)	(76,025)	(76,025)	(76,085)
Debt proceeds received	---	5,000	5,000	---	---	5,000
Interfund borrowing	(53,926)	53,926	---	---	---	---
Total other financing sources (uses)	(129,906)	(17,204)	(147,110)	(76,025)	(76,025)	(71,085)
Excess of receipts and other financing sources over disbursements and other (uses)	59,154	48,502	107,656	---	(9,350)	117,006
Fund balances, beginning of year	417,219	959,304	1,376,523	1,376,523	1,376,523	1,376,523
Fund balances, end of year	\$ 476,373	\$ 1,007,806	\$ 1,484,179	\$ 1,376,523	\$ 1,367,173	\$ 1,493,529

See accompanying notes to the basic financial statements.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

June 30, 2010

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 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 its funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, the special revenue funds, the debt service fund and all enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 5,550. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government functions.

CITY OF LONG GROVE, IOWA

SCHEDULE OF INDEBTEDNESS

For the Year Ended June 30, 2010

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Sewer construction	May 14, 2008	3.00%	\$ 1,088,000	\$ 1,042,000	\$ 5,000	\$ 42,000	\$ 1,005,000	\$ 31,260	\$ ---
Revenue notes:									
Sewer	May 14, 2008	3.00%	\$ 1,088,000	\$ 1,047,000	\$ ---	\$ 42,000	\$ 1,005,000	\$ 31,410	\$ ---

BOND AND NOTE MATURITIES

June 30, 2010

Year Ending June 30	GENERAL OBLIGATION BONDS		REVENUE NOTES	
	Interest Rate	Amount	Interest Rate	Amount
2011	3.00%	\$ 43,000	3.00%	\$ 43,000
2012	3.00%	44,000	3.00%	44,000
2013	3.00%	46,000	3.00%	46,000
2014	3.00%	47,000	3.00%	47,000
2015	3.00%	48,000	3.00%	48,000
2016	3.00%	50,000	3.00%	50,000
2017	3.00%	51,000	3.00%	51,000
2018	3.00%	53,000	3.00%	53,000
2019	3.00%	54,000	3.00%	54,000
2020	3.00%	56,000	3.00%	56,000
2021	3.00%	58,000	3.00%	58,000
2022	3.00%	59,000	3.00%	59,000
2023	3.00%	61,000	3.00%	61,000
2024	3.00%	63,000	3.00%	63,000
2025	3.00%	65,000	3.00%	65,000
2026	3.00%	67,000	3.00%	67,000
2027	3.00%	69,000	3.00%	69,000
2028	3.00%	71,000	3.00%	71,000
Totals		\$ 1,005,000		\$ 1,005,000

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

SCHEDULE OF RECEIPTS AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

For the Last Six Years

	2010	2009	2008	Unaudited 2007	2006	Unaudited 2005
Receipts:						
Property taxes	\$ 276,635	\$ 233,982	\$ 173,775	\$ 173,421	\$ 171,966	\$ 159,947
Other city tax	75,809	78,910	84,008	80,152	66,739	67,806
Licenses and permits	3,350	6,637	3,293	5,455	8,154	26,006
Use of money and property	7,509	7,429	12,806	1,694	9,329	2,728
Intergovernmental	55,379	56,910	60,159	49,757	50,076	50,278
Charges for service	9,485	7,154	15,172	16,660	6,702	6,606
Miscellaneous	1,081	866	1,401	772	12,656	8,287
Total receipts	\$ 429,248	\$ 391,888	\$ 350,614	\$ 327,911	\$ 325,622	\$ 321,658
Disbursements:						
Operating:						
Public safety	25,087	32,951	34,505	23,113	31,421	28,388
Public works	134,211	140,417	171,812	104,830	87,808	87,982
Culture and recreation	32,859	40,392	40,333	36,345	20,520	41,221
Community and economic development	2,375	2,710	2,548	113	4,889	4,138
General government	45,656	38,763	43,577	42,546	36,802	26,626
Debt service	75,980	71,504	---	---	---	---
Capital projects	---	---	---	25,961	63,871	115,120
Total disbursements	\$ 316,168	\$ 326,737	\$ 292,775	\$ 232,908	\$ 245,311	\$ 303,475

See accompanying independent auditor's report.

Tom Engelmann, CPA

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(563) 323-3568 FAX (563) 326-6204

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 16, 2010. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial 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 identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. 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 by the City's internal control.

I noted one matter involving the internal control over financial reporting and its operation that I consider to be a significant deficiency:

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 December 16, 2010.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City of Long Grove's 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, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City of Long Grove, Iowa. 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.

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
December 16, 2010

**CITY OF LONG GROVE, IOWA
SCHEDULE OF FINDINGS**

June 30, 2010

Findings related to the Financial Statements:

Significant Deficiency:

2010-A Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from having duties that are incompatible. I noted that certain functions are not entirely segregated.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However the City should review its internal control procedures to obtain the maximum internal controls possible under the circumstance. The Council also needs to maintain proper oversight over management to ensure controls are actually occurring.

Response – We will review our internal control procedures.

Conclusion – Response acknowledged.

Instances of Non- Compliance:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

2010 -1 Certified budget – Disbursements during the year ended June 30, 2010 did not exceed any of the overall functions.

2010 -2 Questionable disbursements – I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2010 -3 Travel expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2010 -4 Business transactions – No transactions between the City and City officials and employees were noted.

2010 -5 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 ensure that the coverage is adequate for current operations.

2010 -6 Council minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

SCHEDULE OF FINDINGS

Other Findings related to Statutory Reporting (continued):

2010 -7 Deposits and investments – I noted no instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

2010 -8 Revenue bonds – No instances of non-compliance with the revenue bond resolution were noted.

2010 -9 Financial condition – Various funds (Road Use Tax, Debt Service and Sewer) have utilized the common cash pool maintained by the City to temporarily borrow from the General Fund for a total of \$ 392,086 as of June 30, 2010. In addition the Debt Service Fund has borrowed \$ 31,847 from the Sewer Fund as of June 30, 2010. At the same time the Sewer Fund continues to hold certificates of deposit.

Recommendations – The City should carefully consider the cash flow needs of the Debt Service Fund and if possible pay off as much of both interfund borrowings it currently owes. Then the Sewer Fund should utilize both the cash repayment from the Debt Service Fund and the balance of the certificates of deposit it holds to repay as much of the debt it owes to the general fund as possible. It appears these actions would allow the Sewer Fund to repay approximately \$ 200,000 of its interfund loan to the General Fund. The Road Use Tax Fund should either curtail some road projects in the future to allow for the accumulation of cash to repay its obligation to the General Fund of \$ 53,840, or it can also 'transfer' some of the bank certificates of deposit it holds to the General Fund to reduce / eliminate this loan.

Response – We will review the recommendations made and work to reduce/ eliminate the interfund borrowing in the future.

Conclusion – Response accepted.

2010 -10 Financial condition – The Sewer Fund currently owes \$ 337,246 to the General Fund, mostly in relation to additional costs related to the completion of the new wastewater treatment plant project. Even all of the actions taken in the prior finding would only reduce that loan to about \$ 137,000. And there are still some costs associated with the new treatment plant to be paid by the City.

Recommendations – The City should reduce expenditures in the Sewer Fund to the minimum necessary to allow for repayment of this debt in some reasonable time frame.

Response – We will create a repayment schedule for this loan in the future.

Conclusion – Response accepted.

CITY OF LONG GROVE, IOWA
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
CASH BASIS

GENERAL FUND

June 30, 2010 and 2009

	June 30,	
<i>ASSETS</i>	2010	2009
Cash	\$ 28,885	\$ 58,838
Certificates of deposit	17,117	16,790
	\$ 46,002	\$ 75,628
<i>FUND EQUITY</i>		
Temporarily reserved for park construction	\$ 620	\$ ---
Unreserved	45,382	75,628
	\$ 46,002	\$ 75,628

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET**

GENERAL FUND

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009
	Final Budget	Actual	Variance- favorable (unfavorable)	Actual
Receipts				
Property taxes	\$ 202,272	\$ 201,334	\$ (938)	\$ 195,325
Franchise fees	3,200	3,035	(165)	4,584
Fines	---	81	81	92
Building and construction	2,000	2,911	911	6,123
Miscellaneous charges	1,000	8,160	7,160	7,062
Alcohol control	400	439	39	439
Cigarette permits	75	---	(75)	75
Grant received	---	1,000	1,000	7,377
Interest	2,500	3,630	1,130	629
Charges / fees	1,000	1,325	325	866
Total receipts	<u>\$ 212,447</u>	<u>221,915</u>	<u>\$ 9,468</u>	<u>222,572</u>
Operating disbursements				
Public safety	35,100	25,087	10,013	32,951
Public works	48,000	47,273	727	38,387
Culture and recreation	50,247	32,859	17,388	40,392
Community and economic development	10,500	2,375	8,125	2,710
General government	44,857	45,656	(799)	38,763
Total operating disbursements	<u>\$ 188,704</u>	<u>153,250</u>	<u>\$ 35,454</u>	<u>153,203</u>
Excess of receipts over disbursements		68,665		69,369
Other financing sources (uses)				
Operating transfers in	\$ 34,374	---	\$ (34,374)	16,004
Interfund borrowing	---	(65,444)	65,444	(326,642)
Operating transfers (out)	(241,842)	(32,847)	(208,995)	---
Total other financing sources (uses)	<u>\$ (207,468)</u>	<u>(98,291)</u>	<u>\$ (177,925)</u>	<u>(310,638)</u>
Net change in cash balances		(29,626)		(241,269)
Cash balance, beginning of year		<u>75,628</u>		<u>316,897</u>
Cash balance, end of year		<u>\$ 46,002</u>		<u>\$ 75,628</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF DISBURSEMENTS, BY FUNCTION
CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
<i>Public safety & public works</i>				
<i>Police Operations</i>				
Salaries	\$ 16,800	\$ 4,095	\$ 12,705	\$ 12,383
Other benefits	150	---	150	110
Vehicle operations	1,415	2,187	(772)	4,427
Electric and gas	500	768	(268)	778
Court and record	150	318	(168)	90
Office supplies	985	2,602	(1,617)	496
Total police operations	20,000	9,970	10,030	18,284
<i>Fire Department</i>				
Other Contractual services	15,100	15,117	(17)	14,667
Total public safety	\$ 35,100	\$ 25,087	\$ 10,013	\$ 32,951
<i>Public Works</i>				
Garbage collection services	48,000	47,273	727	38,387
Total public works	\$ 48,000	\$ 47,273	\$ 727	\$ 38,387

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF DISBURSEMENTS, BY FUNCTION
CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
<i>Culture and recreation: Community and economic development</i>				
<i>Culture and recreation</i>				
Library				
Other contractual services	\$ 20,847	\$ 20,835	\$ 12	\$ 19,671
Parks				
Grounds maintenance	13,400	5,456	7,944	14,877
Other maintenance	13,000	3,568	9,432	2,844
Total parks	26,400	9,024	17,376	17,721
Community center				
Other contractual services	3,000	3,000	---	3,000
Total culture and recreation	\$ 50,247	\$ 32,859	\$ 17,388	\$ 40,392
<i>Community and economic development</i>				
Community beautification				
Community beautification	\$ 500	\$ 456	\$ 44	\$ 193
Economic development				
Printing and publications	10,000	1,919	8,081	2,517
Total community and economic development	\$ 10,500	\$ 2,375	\$ 8,125	\$ 2,710

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF DISBURSEMENTS, BY FUNCTION
CASH BASIS - COMPARED TO BUDGET

GENERAL FUND

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

<i>General government</i>	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Mayor, Council and city manager Other pay	\$ 5,500	\$ 5,558	\$ (58)	\$ 4,788
Clerk, treasurer				
Salaries	14,617	15,308	(691)	14,184
Payroll taxes	1,118	4,029	(2,911)	889
Iowa public employees retirement	972	888	84	1,028
Other benefits	2,500	2,516	(16)	3,335
Meetings and conferences	2,000	714	1,286	1,382
Total clerk, treasurer	21,207	23,455	(2,248)	20,818
Elections				
Payments to others	1,500	1,391	109	---
City attorney				
Legal expense	1,550	2,043	(493)	609
City hall				
Utilities	3,200	2,508	692	3,038
Maintenance and repairs	700	362	338	533
Printing and publications	1,500	1,683	(183)	2,312
Office supplies	3,500	4,945	(1,445)	2,878
Office equipment	2,300	---	2,300	---
Total city hall	11,200	9,498	1,702	8,761
Tort liability				
Insurance expense	3,900	3,711	189	3,787
Total general government	\$ 44,857	\$ 45,656	\$ (799)	\$ 38,763

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
CASH BASIS

SPECIAL REVENUE FUNDS

June 30, 2010 and 2009

	Road Use Tax Fund	Local Option Sales Tax	June 30,	
			2010	2009
<i>ASSETS</i>				
Cash	\$ ---	\$ 169,648	\$ 169,648	\$ 116,619
Certificates of deposit	79,209	149,340	228,549	224,972
Total	<u>\$ 79,209</u>	<u>\$ 318,988</u>	<u>\$ 398,197</u>	<u>\$ 341,591</u>
 <i>FUND BALANCES</i>				
Fund balance - restricted	<u>79,209</u>	<u>318,988</u>	<u>398,197</u>	<u>341,591</u>
Total fund balances	<u>\$ 79,209</u>	<u>\$ 318,988</u>	<u>\$ 398,197</u>	<u>\$ 341,591</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

**COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE**

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Road Use Tax	Local Option Sales Tax	Totals	
			2010	2009
Receipts				
Road use taxes	\$ 52,771	\$ ---	\$ 52,771	\$ 49,533
Sales taxes	---	72,774	72,774	74,326
Grant received	2,608	---	2,608	---
Interest	1,440	2,433	3,873	6,800
Total receipts	<u>56,819</u>	<u>75,207</u>	<u>132,026</u>	<u>130,659</u>
Operating disbursements				
Roads, bridges, sidewalks	66,896	---	66,896	82,247
Capital projects	---	20,042	20,042	19,783
Total operating disbursements	<u>66,896</u>	<u>20,042</u>	<u>86,938</u>	<u>102,030</u>
Excess (deficiency) of receipts over disbursements	(10,077)	55,165	45,088	28,629
Other financing sources (uses)				
Interfund borrowing	11,518	---	11,518	42,322
Total other financing sources (uses)	<u>11,518</u>	<u>---</u>	<u>11,518</u>	<u>42,322</u>
Net change in cash balances	1,441	55,165	56,606	70,951
Cash balance, beginning of year	<u>77,768</u>	<u>263,823</u>	<u>341,591</u>	<u>270,640</u>
Cash balance, end of year	<u>\$ 79,209</u>	<u>\$ 318,988</u>	<u>\$ 398,197</u>	<u>\$ 341,591</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET

ROAD USE TAX FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Receipts				
Road use taxes	\$ 53,432	\$ 52,771	\$ (661)	\$ 49,533
Grant received	---	2,608	2,608	---
Interest	---	1,440	1,440	2,546
Total receipts	<u>\$ 53,432</u>	<u>56,819</u>	<u>\$ 3,387</u>	<u>52,079</u>
Operating disbursements				
Salaries	\$ 26,026	25,294	\$ 732	24,767
Payroll taxes	1,991	2,019	(28)	1,899
Iowa public employees retirement	1,731	1,557	174	1,444
Vehicle operations	6,000	8,246	(2,246)	5,001
Other maintenance and repairs	---	778	(778)	8,064
Payments to others	7,000	4,197	2,803	15,163
Street maintenance	7,000	8,662	(1,662)	3,202
Posts / signs	500	---	500	211
Streets	10,000	16,143	(6,143)	22,496
Total operating disbursements	<u>\$ 60,248</u>	<u>66,896</u>	<u>\$ (6,648)</u>	<u>82,247</u>
(Deficiency) of receipts over operating disbursements		(10,077)		(30,168)
Other financing sources				
Transfers in	6,816	---	6,816	---
Interfund borrowing	---	11,518	(11,518)	42,322
Total other financing sources (uses)	<u>\$ 6,816</u>	<u>11,518</u>	<u>\$ (4,702)</u>	<u>42,322</u>
Net change in cash balances		1,441		12,154
Cash balance, beginning of year		<u>77,768</u>		<u>65,614</u>
Cash balance, end of year		<u>\$ 79,209</u>		<u>\$ 77,768</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET

LOCAL OPTION SALES TAX FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Receipts				
Local option sales tax	\$ 66,661	\$ 72,774	\$ 6,113	\$ 74,326
Interest	3,800	2,433	(1,367)	4,254
Total receipts	<u>\$ 70,461</u>	<u>75,207</u>	<u>\$ 4,746</u>	<u>78,580</u>
Operating disbursements				
Capital projects				
Vehicles	\$ 5,500	---	\$ 5,500	---
Other capital equipment	6,000	4,281	1,719	7,954
Other capital outlay	57,300	15,761	41,539	11,829
Total operating disbursements	<u>\$ 68,800</u>	<u>20,042</u>	<u>\$ 48,759</u>	<u>19,783</u>
Net change in cash balances		55,165		58,797
Cash balance, beginning of year		<u>263,823</u>		<u>205,026</u>
Cash balance, end of year		<u>\$ 318,988</u>		<u>\$ 263,823</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET

DEBT SERVICE FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance- favorable (unfavorable)	Actual Actual
	Final Budget	Actual		
Receipts				
Property taxes	\$ 74,364	75,301	\$ (937)	\$ 38,657
Interest	---	6	6	---
Total receipts	<u>\$ 74,364</u>	<u>75,307</u>	<u>\$ (931)</u>	<u>38,657</u>
Operating disbursements				
Debt service paid				
Principal paid	\$ 42,000	42,000	\$ ---	41,000
Interest paid	34,025	33,980	45	30,504
Total operating disbursements	<u>\$ 76,025</u>	<u>75,980</u>	<u>\$ 45</u>	<u>71,504</u>
(Deficiency) of receipts over operating disbursements		(673)		(32,847)
Other financing sources (uses)				
Interfund borrowing	\$ ---	---	\$ ---	32,847
Transfers in (out)	(76,025)	32,847	(108,872)	---
Total other financing sources (uses)	<u>\$ (76,025)</u>	<u>32,847</u>	<u>\$ (108,872)</u>	<u>32,847</u>
Net change in cash balances		32,174		---
Cash balance, beginning of year		---		---
Cash balance, end of year		<u>\$ 32,174</u>		<u>\$ ---</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF ASSETS AND NET ASSETS
CASH BASIS

PROPRIETARY FUNDS

June 30, 2010 and 2009

	Water Fund	Sewer Fund	Electric Fund	Totals	
				2010	2009
<i>ASSETS</i>					
Cash	\$ 204,961	\$ ---	\$ 105,296	\$ 310,257	\$ 272,913
Certificates of deposit - unrestricted	153,522	147,663	317,616	618,801	609,318
Certificates of deposit - sinking funds	22,747	24,631	31,370	78,748	77,073
Total assets	\$ 381,230	\$ 172,294	\$ 454,282	\$ 1,007,806	\$ 959,304
<i>NET ASSETS</i>					
<i>Net assets</i>					
Undesignated, unreserved	\$ 381,230	\$ 172,294	\$ 454,282	\$ 1,007,806	\$ 959,304

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE

PROPRIETARY FUNDS

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Electric Fund	Totals	
				2010	2009
Receipts					
Charges for service	\$ 103,436	\$ 181,882	\$ 328,510	\$ 613,828	\$ 601,722
Miscellaneous	7,935	---	6	7,941	15,157
Total receipts	111,371	181,882	328,516	621,769	616,879
Operating disbursements					
Salaries and benefits	54,971	54,393	55,197	164,561	155,665
Meetings / training	1,334	1,131	1,722	4,187	6,235
Utilities	4,441	12,625	---	17,066	12,530
Maintenance and repairs	2,939	7,979	10,268	21,186	13,595
Insurance	3,711	4,529	3,711	11,951	12,745
Wholesale power purchased	---	---	233,171	233,171	217,176
Other office expenses	17,003	10,216	7,174	34,393	27,519
Capital expenditures	---	73,805	7,588	81,393	4,315
Total operating disbursements	84,399	164,678	318,831	567,908	449,780
Excess of receipts over operating disbursements	26,972	17,204	9,685	53,861	167,099
Non-operating receipts (disbursements)					
Interest on investments	3,452	3,053	5,340	11,845	21,968
Bond proceeds received	---	5,000	---	5,000	---
Interfund borrowing	---	53,926	---	53,926	31,846
Transfers in (out)	---	---	---	---	(16,004)
Debt service paid	---	(76,130)	---	(76,130)	(76,771)
Net non-operating receipts (disbursements)	3,452	(14,151)	5,340	(5,359)	(38,961)
Net change in cash balances	30,424	3,053	15,025	48,502	128,138
Cash balance, beginning of year	350,806	169,241	439,257	959,304	831,166
Cash balance, end of year	\$ 381,230	\$ 172,294	\$ 454,282	\$ 1,007,806	\$ 959,304

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET**

WATER FUND

For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Receipts				
Water sales	\$ 110,000	\$ 103,436	\$ (6,564)	\$ 104,823
Miscellaneous	7,935	7,935	---	13,527
Total receipts	<u>\$ 117,935</u>	<u>111,371</u>	<u>\$ (6,564)</u>	<u>118,350</u>
Receipts				
Salaries	\$ 42,645	40,833	\$ 1,812	38,355
Payroll taxes	3,109	3,720	(611)	3,043
Iowa public employees retirement	2,703	2,760	(57)	2,472
Employee insurance	7,000	7,658	(658)	6,851
Meetings and conferences	1,000	1,334	(334)	2,111
Utilities	4,000	4,441	(441)	3,972
Other maintenance and repairs	20,000	2,939	17,061	5,286
Engineering	1,000	---	1,000	---
Insurance	3,900	3,711	189	3,787
Legal	1,000	2,280	(1,280)	778
Testing	1,500	2,152	(652)	778
Office supplies	13,000	12,571	429	11,159
Other capital expenditures	---	---	---	100
Other capital outlay	20,478	---	20,478	---
Total operating disbursements	<u>\$ 121,335</u>	<u>84,399</u>	<u>\$ 36,936</u>	<u>78,692</u>
Excess of receipts over operating disbursements		26,972		39,658
Non-operating receipts				
Interest on investments	<u>\$ 3,400</u>	<u>3,452</u>	<u>\$ 52</u>	<u>5,796</u>
Net change in cash balances		30,424		45,454
Cash balance, beginning of year		<u>350,806</u>		<u>305,352</u>
Cash balance, end of year		<u>\$ 381,230</u>		<u>\$ 350,806</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET

SEWER FUND

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Receipts				
Sewer sales	\$ 183,810	\$ 181,882	\$ (1,928)	\$ 175,479
Total receipts	<u>\$ 183,810</u>	<u>181,882</u>	<u>\$ (1,928)</u>	<u>175,479</u>
Operating disbursements				
Salaries	\$ 40,645	40,028	\$ 617	40,309
Payroll taxes	3,109	3,809	(700)	3,162
Iowa public employees retirement	2,703	2,898	(195)	2,389
Employee insurance	7,000	7,658	(658)	7,041
Meetings and conferences	1,000	1,131	(131)	1,978
Utilities	15,000	12,625	2,375	8,558
Other maintenance and repairs	22,226	7,979	14,247	2,899
Engineering	1,000	---	1,000	2,285
Insurance	6,700	4,529	2,171	5,171
Legal	4,000	2,205	1,795	1,149
Testing	5,000	3,856	1,144	5,339
Office supplies	3,000	4,155	(1,155)	3,067
Operating supplies	---	---	---	874
Other capital expenditures	607,092	73,805	533,287	4,116
Total operating disbursements	<u>\$ 718,475</u>	<u>164,678</u>	<u>\$ 553,797</u>	<u>88,337</u>
Excess of receipts over operating disbursements		17,204		87,142
Non-operating receipts (disbursements)				
Interest on investments	\$ 13,847	3,053	\$ (10,794)	5,806
Advances on loan	668,296	5,000	(663,296)	---
Interfund borrowing	---	53,926	53,926	31,846
Transfers in	176,025	---	(176,025)	---
Debt service principal paid	(42,000)	(42,000)	---	(41,000)
Debt service interest paid	(110,053)	(34,130)	75,923	(35,771)
Net non-operating	<u>\$ 706,115</u>	<u>(14,151)</u>	<u>\$ (720,266)</u>	<u>(39,119)</u>
Net change in cash balances		3,053		48,023
Cash balance, beginning of year		169,241		121,218
Cash balance, end of year		<u>\$ 172,294</u>		<u>\$ 169,241</u>

See accompanying independent auditor's report.

CITY OF LONG GROVE, IOWA

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
COMPARED TO BUDGET**

ELECTRIC FUND

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance- favorable (unfavorable)	
Receipts				
Electric sales	\$ 323,000	\$ 328,510	\$ 5,510	\$ 321,420
Miscellaneous	730	6	(724)	1,630
Total receipts	<u>\$ 323,730</u>	<u>328,516</u>	<u>\$ 4,786</u>	<u>323,050</u>
Operating disbursements				
Salaries	\$ 40,645	40,430	\$ 215	39,298
Payroll taxes	3,109	4,314	(1,205)	3,137
Iowa public employees retirement	2,703	2,764	(61)	2,630
Employee insurance	7,000	7,689	(689)	6,978
Meetings and conferences	1,000	1,722	(722)	2,146
Other maintenance and repairs	10,000	10,268	(268)	3,124
Engineering	4,000	---	4,000	---
Insurance	3,900	3,711	189	3,787
Legal	1,000	2,655	(1,655)	668
Testing	4,000	438	3,562	---
Wholesale power	220,000	233,171	(13,171)	217,176
Office supplies	3,000	4,081	(1,081)	2,800
Operating supplies	---	---	---	907
Other capital expenditures	15,000	2,134	12,866	---
Other capital outlays	42,000	5,454	36,546	100
Total operating disbursements	<u>\$ 357,357</u>	<u>318,831</u>	<u>\$ 38,526</u>	<u>282,751</u>
Excess of receipts over operating disbursements		9,685		40,299
Non-operating receipts				
Interest on investments	\$ 9,000	5,340	\$ (3,660)	10,366
Transfers in (out)	24,627	---	(24,627)	(16,004)
Total non-operating receipts	<u>\$ 33,627</u>	<u>5,340</u>	<u>\$ (28,287)</u>	<u>(5,638)</u>
Net change in cash balances		15,025		34,661
Cash balance, beginning of year		439,257		404,596
Cash balance, end of year		<u>\$ 454,282</u>		<u>\$ 439,257</u>

See accompanying independent auditor's report.

Tom Engelmann, CPA

1111 East River Drive, Davenport, Iowa 52803
(563) 323-3568 FAX (563) 326-6204

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

I have audited the financial statements of the City of Long Grove, Iowa for the year ended June 30, 2010, and have issued my report dated December 16, 2010. Professional standards require that I provide you with the following information related to my audit.

My responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133.

As stated in my engagement letter of June 3, 2010, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with cash basis accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

In planning and performing my audit, I considered the City'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.

As part of obtaining reasonable assurance about whether the City's 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. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of the City's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies of the City of Long Grove, Iowa, are described in Note 1 of the financial statements.

I noted the only significant and unusual transactions entered into by the City during the year involved the receipt of the bond proceeds and disbursement of construction expenditures in relation to the new wastewater treatment plant.

Accounting Estimates

Accounting estimates are in integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility of future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements involves the completion and initiation into use of the new wastewater treatment plant completed this year. Management's estimate is based on expected completion dates and timelines for the State of Iowa Department of Natural Resources approval for operation. I evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). Due to procedures in place regarding the accounting for the bond proceeds received and payments made, significant audit adjustments were recorded in these areas. In my judgment, these adjustments indicate matters that have a significant effect on the City's financial reporting process.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all of the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues discussed prior to retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties encountered in performing the audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Other comments

I have included additional comments regarding the financial statements and operations. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of my audit. My observations indicate that the overall financial operations of the City continue to be conducted in an efficient and effective manner.

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 will be happy to discuss these or any other topics at your convenience. I would like to take this opportunity to express my appreciation to you and your staff for the fine cooperation that I received during the course of the audit.

Tom Engdramm CPA
Davenport, Iowa
December 16, 2010

**CITY OF LONG GROVE, IOWA
OTHER COMMENTS**

June 30, 2010

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. In addition, I recommend the City review its internal control procedures to obtain the maximum internal control possible under the circumstances.

INTERFUND LOANS

During my audit I noted that several of the City's funds had utilized the common cash pool maintained by the City to borrow cash from each other. This temporary use of cash needs to be either repaid or forgiven. Listed below are the interfund loans in total as of June 30, 2010:

Receivable at		Payable from	
General Fund	\$ 1,000	Debt Service Fund	\$ 1,000
General Fund	53,840	Road Use Tax Fund	53,840
General Fund	337,246	Sewer Fund	337,246
Sewer Fund	31,847	Debt Service Fund	31,847

At the same time several of these funds own certificates of deposit or accumulated cash on hand. Listed below are available cash / certificate balances as of June 30, 2010:

Debt Service Fund cash	\$ 32,174
Road Use Tax Fund Certificates of deposit	79,209
Sewer Fund Certificates of deposit	172,294

I would recommend the following actions be taken to repay these loans:

- 1) The Debt Service Fund would repay the \$ 1,000 to the General Fund
- 2) The Debt Service Fund would repay \$ 30,000 of its loan to the Sewer Fund
- 3) The Sewer Fund would repay \$ 30,000 of its loan to the General Fund
- 4) The Sewer Fund would repay at least another \$ 170,000 of its loan to the General Fund by 'transferring' that much of its bank Certificates of deposit to the General Fund
- 5) The Road Use Tax Fund would repay \$ 50,000 of its loan to the General Fund by 'transferring' that much of its bank Certificates of deposit to the General Fund

Please note most of these are partial payments. If you choose, you could pay off more of several loans. These are for sample purposes only.

The end result would be the following interfund loan balances:

Receivable at		Payable from	
General Fund	\$ 3,840	Road Use Tax Fund	\$ 3,840
General Fund	137,246	Sewer Fund	137,246
Sewer Fund	1,847	Debt Service Fund	1,847

The City would end up with \$ 201,000 more 'cash' in the General Fund to allow for better cash flow purposes and still allow for flexibility in the other funds.

Subsequent to these actions, I would recommend the three 'debtor funds' (Road Use, Debt Service & Sewer), all attempt to 'pay off' these loans as soon as possible. I will list some options for the each of the three funds.

For Road Use Tax – attempt to reduce / control construction projects to allow for the accumulation of at least \$ 10,000 in cash – then pay off the balance due of \$ 3,840 to the General Fund.

For Debt Service – Once the principal and interest payment is made in June of 2011, there might be enough cash left in that fund to pay off the balance of its \$ 1,847 to the Sewer Fund.

For Sewer Fund – Establish a planned schedule to pay off the \$ 137,246 over the course of some period of years. I would recommend a period of 7 to 10 years, which would be about \$19,600 (seven year pay off) to \$13,700 (ten years) each year. In tandem with this reduce / control expenses in this fund over that period to make sure it generates at least that much cash 'income' (after all operations and IFA debt service) each year.

TRACKING INTERFUND LOANS

During my audit I noted that several of the City's funds had utilized the common cash pool maintained by the City to borrow cash from each other. This temporary use of cash needs to be tracked so repayments can be made. Listed below are the interfund loans in total as of June 30, 2010:

Receivable at		Payable from	
General Fund	\$ 1,000	Debt Service Fund	\$ 1,000
General Fund	53,840	Road Use Tax Fund	53,840
General Fund	337,246	Sewer Fund	337,246
Sewer Fund	31,847	Debt Service Fund	31,847

I have provided to the Clerk a computerized spreadsheet that could be utilized to track these loans. I would recommend periodically (at least semi annually), after recording all of the City's receipts and disbursements in the computer, balancing the checking and money market accounts and generating fund financial statements, updating this schedule for additional borrowings made and posting any repayments previously authorized by the Council, and then bringing that information back to the City Council with possible recommendations from the Clerk as to possible further repayments to be made, keeping in mind future cash flow needs of each fund.