

CITY OF RUTHVEN, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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City of Ruthven, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Oppedal	Mayor	Jan 2008
Brian Hawk	Council Member	Jan 2011
Jay Schoning	Council Member	Jan 2011
Teresa Bentz	Council Member	Jan 2008
Justin Henningson	Council Member	Jan 2008
Justin Ver Helst	Council Member	Jan 2008
Christine White	City Clerk	Indefinite
Jillian Kreig	City Clerk	Dec 2006
Don Hemphill	City Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ruthven, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ruthven's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ruthven as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008 on our consideration of the City of Ruthven's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruthven's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2008

City of Ruthven
Management's Discussion and Analysis
June 30, 2007

This discussion and analysis is intended to be an easily readable analysis of the City of Ruthven's financial activities based on current conditions. This analysis focuses on activities for the year ended June 30, 2007 and should be read in conjunction with the attached financial statements. Prior years were not audited so comparisons are not easily available.

2007 FINANCIAL HIGHLIGHTS

- Total revenue for the year was \$2,384,792 which included \$1,299,000 of grant dollars.
- Total expenses for the year were \$2,656,829 which included \$573,316 capital project expense.
- The City's cash balance decreased \$272,037 due to expenditures on the street capital project.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serves 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 included public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds accounts for the City’s Enterprise Funds. Enterprise funds are used to report business type activities. The City maintains two enterprise funds to provide separate information for the water and sewer funds, of which water and sewer are determined to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>2006-2007</u>
Receipts and transfers:	
Program Receipts:	
Charges for Service	\$ 75,359
Grants and Contributions	279,512
General Receipts:	
Property Tax	118,753
Other City Tax	59,213
Miscellaneous	11,998
Use of Money and Property	11,760
Bond Proceeds	<u>148,000</u>
Total Receipts:	<u>704,595</u>
Disbursements:	
Public Safety	44,894
Public Works	170,191
Culture and recreation	104,697
Community and Economic Development	5,830
General Government	100,774
Debt Service	27,602
Capital Projects	<u>573,316</u>
Total Disbursements	<u>1,027,304</u>

Change in cash balances	(322,709)
Cash basis net assets beginning of the year	<u>728,185</u>
Cash basis net assets end of the year	<u>405,476</u>
	=====

Changes in Cash Basis Net Assets of Business Type Activities

2006-2007

Receipts:

Program Receipts:

Charges for services:

Water	\$ 84,002
Sewer	50,899
Capital grants	383,832
Miscellaneous	9,059
Interest	1,405
Bond Proceeds	<u>1,151,000</u>
Total Receipts	<u>1,680,197</u>

Disbursements:

Water	154,338
Sewer	<u>1,475,187</u>
Total Disbursements	<u>1,629,525</u>

Change in cash balances	50,672
Cash basis net assets beginning of year	<u>62,144</u>
Cash basis net assets end of year	<u>112,816</u>
	=====

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ruthven completed the year, its governmental funds reported a combined fund balance of \$405,476, a decrease of \$322,709 from last year's total of \$728,185. 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 \$156,399 to \$116,461, mostly due to a transfer to the capital project fund.
- The Capital Funds cash balance decreased \$187,216 to \$203,334, due to construction costs.

Individual Major Business-Type Fund Analysis

- The Sewer Fund had disbursements totaling \$1,475,187 which included \$573,316 for capital projects and \$228,619 for debt service.
- The Water Fund borrowed \$80,000 during the year to purchase water meters.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The amendment increased budgeted disbursements by \$1,289,000 and other financing sources by \$1,009,009 due to activity in capital projects.

Debt Administration

As of June 30, 2007, the City had \$947,000 in bonds outstanding compared to none the previous year, as shown below.

Outstanding Debt at Year-End

	<u>2007</u>
General Obligation Notes	\$ 80,000
Revenue Bonds	<u>867,000</u>
Total	\$ 947,000 =====

Debt increased as a result of issuing bonds for capital projects for the sewer and water funds.

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 of \$80,000 is significantly below its constitutional debt limit of \$863,439. There is also an outstanding revolving loan balance of \$55,352 outstanding at June 30, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several factors were considered and affected the preparation of the City's 2008 budget, as follows:

- The local economy has remained consistent with the outlook for 2007 to remain constant.
- The local unemployment rate has remained lower than the state average.
- The rate lids and the property tax rollback imposed by the state of Iowa
- Newly increased rates

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the city's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Christine White, City Clerk, 1305 Gowrie Street, Ruthven, Iowa 51358 or telephone 712-837-5355.

Basic Financial Statements

City of Ruthven, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2007

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 44,894	-	-	-
Public works	170,191	51,703	63,759	188,100
Culture and recreation	104,697	23,656	10,661	-
Community and economic development	5,830	-	-	-
General government	100,774	-	16,992	-
Debt service	27,602	-	-	-
Capital projects	<u>573,316</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,027,304</u>	<u>75,359</u>	<u>91,412</u>	<u>188,100</u>
Business type activities:				
Water	154,338	84,002	-	-
Sewer	<u>1,475,187</u>	<u>50,899</u>	<u>-</u>	<u>383,832</u>
Total business type activities	<u>1,629,525</u>	<u>134,901</u>	<u>-</u>	<u>383,832</u>
Total	<u>\$ 2,656,829</u>	<u>210,260</u>	<u>91,412</u>	<u>571,932</u>

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Loan proceeds
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Debt service
 Other purposes
Unrestricted
Total cash basis net assets

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(44,894)	-	(44,894)
133,371	-	133,371
(70,380)	-	(70,380)
(5,830)	-	(5,830)
(83,782)	-	(83,782)
(27,602)	-	(27,602)
<u>(573,316)</u>	<u>-</u>	<u>(573,316)</u>
<u>(672,433)</u>	<u>-</u>	<u>(672,433)</u>
-	(70,336)	(70,336)
<u>-</u>	<u>(1,040,456)</u>	<u>(1,040,456)</u>
<u>-</u>	<u>(1,110,792)</u>	<u>(1,110,792)</u>
<u>(672,433)</u>	<u>(1,110,792)</u>	<u>(1,783,225)</u>
92,442	-	92,442
26,311	-	26,311
-	-	-
11,760	1,405	13,165
11,998	9,059	21,057
<u>148,000</u>	<u>1,151,000</u>	<u>1,299,000</u>
<u>290,511</u>	<u>1,161,464</u>	<u>1,451,975</u>
(381,922)	50,672	(331,250)
728,185	62,144	790,329
<u>\$ 346,263</u>	<u>112,816</u>	<u>459,079</u>
14,541	-	14,541
477,808	-	477,808
<u>(86,873)</u>	<u>112,816</u>	<u>25,943</u>
<u>\$ 405,476</u>	<u>112,816</u>	<u>518,292</u>

Exhibit A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(44,894)	-	(44,894)
133,371	-	133,371
(70,380)	-	(70,380)
(5,830)	-	(5,830)
(83,782)	-	(83,782)
(27,602)	-	(27,602)
<u>(573,316)</u>	<u>-</u>	<u>(573,316)</u>
<u>(672,433)</u>	<u>-</u>	<u>(672,433)</u>
-	(70,336)	(70,336)
<u>-</u>	<u>(1,040,456)</u>	<u>(1,040,456)</u>
<u>-</u>	<u>(1,110,792)</u>	<u>(1,110,792)</u>
<u>(672,433)</u>	<u>(1,110,792)</u>	<u>(1,783,225)</u>
92,442	-	92,442
26,311	-	26,311
-	-	-
11,760	1,405	13,165
11,998	9,059	21,057
<u>148,000</u>	<u>1,151,000</u>	<u>1,299,000</u>
<u>290,511</u>	<u>1,161,464</u>	<u>1,451,975</u>
(381,922)	50,672	(331,250)
728,185	62,144	790,329
<u>\$ 346,263</u>	<u>112,816</u>	<u>459,079</u>
14,541	-	14,541
477,808	-	477,808
<u>(86,873)</u>	<u>112,816</u>	<u>25,943</u>
<u>\$ 405,476</u>	<u>112,816</u>	<u>518,292</u>

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

As of and for the year ended June 30, 2007

	<u>General</u>	<u>Street Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receipts:				
Property tax	\$ 90,220	-	28,533	118,753
Other city tax	-	-	59,213	59,213
Licenses and permits	871	-	-	871
Use of money and property	15,185	-	1,315	16,500
Intergovernmental	5,749	188,100	63,759	257,608
Charges for service	75,359	-	-	75,359
Miscellaneous	28,291	-	-	28,291
Total receipts	<u>215,675</u>	<u>188,100</u>	<u>152,820</u>	<u>556,595</u>
Disbursements:				
Operating:				
Public safety	44,894	-	-	44,894
Public works	91,481	-	78,710	170,191
Culture and recreation	102,297	-	2,400	104,697
Community and economic development	5,830	-	-	5,830
General government	77,567	-	23,207	100,774
Debt service	-	-	27,602	27,602
Capital projects	-	573,316	-	573,316
Total disbursements	<u>322,069</u>	<u>573,316</u>	<u>131,919</u>	<u>1,027,304</u>
Excess of receipts over disbursements	(106,394)	(385,216)	20,901	(470,709)
Other financing sources (uses):				
Loan proceeds	-	148,000	-	148,000
Operating transfers in	-	50,000	-	50,000
Operating transfers out	(50,000)	-	-	(50,000)
Total Other financing sources (uses)	<u>(50,000)</u>	<u>198,000</u>	<u>-</u>	<u>148,000</u>
Net change in cash balances	(156,394)	(187,216)	20,901	(322,709)
Cash balances beginning of year	272,855	(16,118)	471,448	728,185
Cash balances end of year	<u>\$ 116,461</u>	<u>(203,334)</u>	<u>492,349</u>	<u>405,476</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	14,541	14,541
Unreserved:				
General fund	116,461	-	-	116,461
Capital project fund	-	(203,334)	-	(203,334)
Special revenue funds	-	-	456,005	456,005
Permanent fund	-	-	21,803	21,803
Total cash basis fund balances	<u>\$ 116,461</u>	<u>(203,334)</u>	<u>492,349</u>	<u>405,476</u>

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

As of and for the year ended June 30, 2007

	Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating receipts:			
Use of money and property	\$ 482	923	1,405
Charges for service	50,899	84,002	134,901
Miscellaneous	<u>6,679</u>	<u>2,380</u>	<u>9,059</u>
Total operating receipts	<u>58,060</u>	<u>87,305</u>	<u>145,365</u>
Operating disbursements:			
Business type activities	<u>1,246,568</u>	<u>154,338</u>	<u>1,400,906</u>
Total operating disbursements	<u>1,246,568</u>	<u>154,338</u>	<u>1,400,906</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(1,188,508)</u>	<u>(67,033)</u>	<u>(1,255,541)</u>
Non-operating receipts (disbursements):			
Intergovernmental	383,832	-	383,832
Loan proceeds	1,071,000	80,000	1,151,000
Debt service	<u>(228,619)</u>	<u>-</u>	<u>(228,619)</u>
Total non-operating receipts (disbursements)	<u>1,226,213</u>	<u>80,000</u>	<u>1,306,213</u>
Net change in cash balances	37,705	12,967	50,672
Cash balances beginning of year	<u>25,710</u>	<u>36,434</u>	<u>62,144</u>
Cash balances end of year	<u><u>63,415</u></u>	<u><u>49,401</u></u>	<u><u>112,816</u></u>
Cash Basis Fund Balances			
Unreserved	<u>63,415</u>	<u>49,401</u>	<u>112,816</u>
Total cash basis fund balances	<u><u>\$ 63,415</u></u>	<u><u>49,401</u></u>	<u><u>112,816</u></u>

See notes to financial statements.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Ruthven is a political subdivision of the State of Iowa located in Palo Alto County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ruthven has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Ruthven has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards or commissions: Palo Alto County Landfill Commission and Palo Alto County Assessor's Conference Board.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

B. Basis of Presentation

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

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

The City reports the following major governmental funds:

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

The Street Capital Project Fund is used to account for street improvements projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Ruthven 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.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

At June 30, 2007 the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
United States E & EE Bonds	\$ 3,500	\$ 17,854
	=====	=====

(3) Bonds and Notes Payable

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

Year Ending	<u>General Obligation Notes</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>						
2008	\$ 12,000	4,305	34,000	26,017	46,000	30,322
2009	16,000	3,780	36,000	24,990	52,000	28,770
2010	16,000	2,805	37,000	23,910	53,000	26,715
2011	16,000	1,829	38,000	22,800	54,000	24,629
2012	16,000	856	39,000	21,660	55,000	22,516
2013-2017	4,000	61	212,000	90,120	216,000	90,181
2018-2022	---	---	246,000	56,340	246,000	56,340
2023-2026	---	---	<u>225,000</u>	<u>17,130</u>	<u>225,000</u>	<u>17,130</u>
Total	\$ 80,000	13,636	867,000	282,967	947,000	296,603
	=====	=====	=====	=====	=====	=====

The resolutions providing for the issuance of the revenue bonds include the following provisions:

The waste water treatment system shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond and any other obligations secured by a pledge of the Net Revenues falling due in the same year.

In addition to the general obligation and revenue bonds, the City of Ruthven has a revolving line of credit with Iowa State Bank. The loan has an interest rate of 3.42% and matures on June 1, 2008. The balance was \$55,352 at June 30, 2007.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2007, was \$6,393, equal to the required contributions for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 2,500
	=====

This liability has been computed based on rates of pay in effect at June 30, 2007.

The City does not accumulate compensated sick leave.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2007

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ <u>50,000</u>
Total		\$ 50,000 =====

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

(7) Risk Management

The City of Ruthven is exposed to various risks of loss related to torts; theft, damage to and destructions of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Deficit Balance

The Capital Projects, Street Account had a deficit balance of \$203,334 at June 30, 2007. The deficit balance was a result of project costs exceeding funds. The deficit will be eliminated upon transfer of funds.

Required Supplemental Information

City of Ruthven, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 118,753	-
Other city tax	59,213	-
Licenses and permits	871	-
Use of money and property	16,500	1,405
Intergovernmental	257,608	383,832
Charges for service	75,359	134,901
Miscellaneous	28,291	9,059
Total receipts	<u>556,595</u>	<u>529,197</u>
Disbursements:		
Public safety	44,894	-
Public works	170,191	-
Culture and recreation	104,697	-
Community and economic development	5,830	-
General government	100,774	-
Debt service	27,602	-
Capital projects	573,316	-
Business type activities	-	1,629,525
Total disbursements	<u>1,027,304</u>	<u>1,629,525</u>
Excess (deficiency) of receipts over (under) disbursements	(470,709)	(1,100,328)
Other financing sources, net	<u>148,000</u>	<u>1,151,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(322,709)	50,672
Balances beginning of year	<u>728,185</u>	<u>62,144</u>
Balances end of year	<u>\$ 405,476</u>	<u>112,816</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Original</u>	<u>Final</u>	Final to Net <u>Variance</u>
118,753	116,130	116,130	2,623
59,213	43,110	43,110	16,103
871	675	675	196
17,905	42,650	42,650	(24,745)
641,440	269,226	269,226	372,214
210,260	239,800	239,800	(29,540)
<u>37,350</u>	<u>22,130</u>	<u>22,130</u>	<u>15,220</u>
<u>1,085,792</u>	<u>733,721</u>	<u>733,721</u>	<u>352,071</u>
44,894	47,909	47,909	3,015
170,191	148,869	168,869	(1,322)
104,697	65,910	65,910	(38,787)
5,830	42,044	42,044	36,214
100,774	61,500	61,500	(39,274)
27,602	27,000	27,000	(602)
573,316	384,000	1,653,000	1,079,684
<u>1,629,525</u>	<u>167,800</u>	<u>167,800</u>	<u>(1,461,725)</u>
<u>2,656,829</u>	<u>945,032</u>	<u>2,234,032</u>	<u>(422,797)</u>
(1,571,037)	(211,311)	(1,500,311)	(70,726)
<u>1,299,000</u>	<u>86,000</u>	<u>1,095,000</u>	<u>204,000</u>
(272,037)	(125,311)	(405,311)	133,274
<u>790,329</u>	<u>862,341</u>	<u>862,341</u>	<u>(72,012)</u>
<u>518,292</u>	<u>737,030</u>	<u>457,030</u>	<u>61,262</u>

City of Ruthven, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased other financing sources by \$1,009,000 and budgeted disbursements by \$1,289,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities.

Other Supplementary Information

City of Ruthven, Iowa

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

As of and for the year ended June 30, 2007

	Special Revenue			
	Road Use Tax	Employee Benefits	Emergency Fund	Local Option Sales Tax
Receipts:				
Property tax	\$ -	-	2,222	-
Other city tax	-	-	-	59,213
Use of money and property	-	923	-	-
Intergovernmental	63,759	-	-	-
Total receipts	<u>63,759</u>	<u>923</u>	<u>2,222</u>	<u>59,213</u>
Disbursements:				
Operating:				
Public works	63,332	15,378	-	-
Culture and recreation	-	2,400	-	-
General government	-	6,207	-	17,000
Debt service	-	-	-	-
Total disbursements	<u>63,332</u>	<u>23,985</u>	<u>-</u>	<u>17,000</u>
Net change in cash balances	427	(23,062)	2,222	42,213
Cash balances beginning of year	102,893	125,006	-	206,306
Cash balances end of year	<u>103,320</u>	<u>101,944</u>	<u>2,222</u>	<u>248,519</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	-	-	-	-
Unreserved:				
Special revenue funds	103,320	101,944	2,222	248,519
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>103,320</u>	<u>101,944</u>	<u>2,222</u>	<u>248,519</u>

See accompanying independent auditor's report.

Schedule 1

<u>Debt Service</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
26,311	-	28,533
-	-	59,213
-	392	1,315
-	-	63,759
<u>26,311</u>	<u>392</u>	<u>152,820</u>
-	-	78,710
-	-	2,400
-	-	23,207
27,602	-	27,602
<u>27,602</u>	<u>-</u>	<u>131,919</u>
(1,291)	392	20,901
<u>15,832</u>	<u>21,411</u>	<u>471,448</u>
<u>14,541</u>	<u>21,803</u>	<u>492,349</u>
14,541	-	14,541
-	-	456,005
-	21,803	21,803
<u>14,541</u>	<u>21,803</u>	<u>492,349</u>

City of Ruthven, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Capital Loan Notes	May 1, 2007	6.095 %	\$ 80,000
Capital Loan Notes	Oct. 6, 2006	6.750 %	328,000
Total			
Revenue bonds:			
Sewer	Nov. 2, 2006	3.000 %	\$ 900,000

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
-	80,000	-	80,000	-	-
-	328,000	328,000	-	2,554	-
-	-	-	-	-	-
<u>\$ -</u>	<u>408,000</u>	<u>328,000</u>	<u>80,000</u>	<u>2,554</u>	<u>-</u>
-	900,000	33,000	867,000	14,266	-
<u>\$ -</u>	<u>900,000</u>	<u>33,000</u>	<u>867,000</u>	<u>14,266</u>	<u>-</u>

Bond and Note Maturities

June 30, 2007

<u>General Obligation Notes</u>			<u>Revenue Bonds/Notes</u>		
Year	<u>Capital Loan Notes</u>		Year	<u>Wastewater Revenue</u>	
	<u>Issued May 1, 2007</u>			<u>Capital Loan Notes</u>	
Ending	Interest		Ending	Interest	
<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>	<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>
2008	6.095 %	\$ 12,000	2008	3.00 %	\$ 34,000
2009	6.095	16,000	2009	3.00	36,000
2010	6.095	16,000	2010	3.00	37,000
2011	6.095	16,000	2011	3.00	38,000
2012	6.095	16,000	2012	3.00	39,000
2013	6.095	4,000	2013	3.00	40,000
Totals		<u>\$ 80,000</u>	2014	3.00	41,000
			2015	3.00	42,000
			2016	3.00	44,000
			2017	3.00	45,000
			2018	3.00	46,000
			2019	3.00	48,000
			2020	3.00	49,000
			2021	3.00	51,000
			2022	3.00	52,000
			2023	3.00	54,000
			2024	3.00	55,000
			2025	3.00	57,000
			2026	3.00	59,000
					<u>\$ 867,000</u>

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	Agency Pass-Through <u>Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	05-WS-099	\$ <u>383,832</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-19229901	\$ <u>704,160</u>
Total			\$ <u><u>1,087,992</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ruthven and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ruthven, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated May 28, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ruthven's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ruthven's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Ruthven's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ruthven and other parties to whom the City of Ruthven may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ruthven during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2008

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

To the Honorable Mayor and
Members of the City Council:
Compliance

We have audited the compliance of the City of Ruthven, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The City of Ruthven's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Ruthven's management. Our responsibility is to express an opinion on the City of Ruthven's compliance based on our audit.

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

In our opinion, the City of Ruthven complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Ruthven is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered

the City of Ruthven's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ruthven's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item II-A-07 to be a significant deficiency.

A material weakness is a significant, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item II-A-07 to be a material weakness.

The City of Ruthven's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Ruthven's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ruthven and other parties to whom the City of Ruthven may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2008

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 and 66.458.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Ruthven did not qualify as a low-risk auditee.

City of Ruthven, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with one office employee. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

**CFDA Number 66.458: Capitalization Grants for Clean Water State Revolving Funds
Pass-through Agency Number: CS-19229901
Federal Award Year: 2007
Department of Environmental Protection Agency passed through the
Iowa Department of Natural Resources**

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

CFDA Number 14.228: Community Development Block Grants

Pass-through Agency Number: 05-WS-099

Federal Award Year: 2007

**Department of Housing and Urban Development passed through the
Iowa Department of Economic Development**

- III-A-07 Segregation of Duties over Federal Receipts and Disbursements – The City has one employee handling most of the financial duties, including reconciling accounts and recording financial data. See II-A-07.

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

- IV-B-07 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-07 Business Transactions – No business transactions between the City and City officials were noted.

- IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-F-07 Council Minutes – Out of eighteen tested, we found two invoices that were not approved in the minutes or published in the paper. We also noted that claims for two months during the fiscal year were not published.

Recommendation – The City should review the procedures to insure that all claims are approved in the minutes and published in the paper.

Response – This was an oversight this year. Normally all claims are listed and published in the paper.

Conclusion – Response accepted.

IV-G-07 Deposits and Investments – During the course of our audit we noted the City could not find a copy of it's investment policy. We also noted a depository resolution was filed but the dollar amount was not updated.

Recommendation – The City should adopt an investment policy and update it's depository resolution to reflect the anticipated cash balances in the future.

Response – We will do this.

Conclusion – Response accepted.

IV-H-07 Revenue Bonds and Notes – The City's wastewater treatment system did not maintain 110% of the principal and interest due on the sewer revenue bond as stated in the loan agreement.

Recommendation – The City should consult legal counsel concerning this matter.

Response – We have contacted legal counsel and have increased our sewer rates.

Conclusion – Response accepted.

IV-I-07 Financial Condition – The Capital Projects Account, Street Account had a deficit balance at June 30, 2007 of \$203,334.

Recommendation – The City should investigate alternatives to eliminate this deficit to a sound financial position.

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Response – The Local Option Sales Tax Fund has been designated to help pay for this project. We will transfer funds at the next council meeting.

Conclusion – Response accepted.

IV-J-07 Cemetery Perpetual Care – It was noted during the course of our audit that interest income was recorded in the Cemetery Perpetual Care Fund rather than the General Fund. It was also noted that an annual report for the cemetery was not filed with the insurance commissioner.

Recommendation – The City should transfer interest income from the Cemetery Perpetual Care Fund to the General Fund in accordance with Chapter 523I.508 of the Code of Iowa. The City should also file an annual report with the insurance commissioner in accordance with Chapter 523I.813 of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.