

CITY OF RUTHVEN, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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City of Ruthven, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Trenton Keefer	Mayor	Resigned (Apr 2011)
Sean Gray	Mayor (Appointed)	Resigned (Nov 2011)
Mitch Anderson	Council Member	Dec 2013
Justin Henningsen	Council Member	Dec 2011
Patrick Johnson	Council Member	Dec 2011
Jay Schoning	Council Member	Dec 2013
Justin Ver Helst	Council Member	Resigned (Apr 2011)
Dan Schnetzer	Council Member (Appointed)	Dec 2011
Kay Suhr	City Clerk	Indefinite
Don Hemphill	City Attorney	Indefinite

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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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010.

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, 2010, 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, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 25 through 27 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 3, 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.

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

February 2, 2012

City of Ruthven
Management's Discussion and Analysis
June 30, 2011

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, 2011 and should be read in conjunction with the attached financial statements. Prior years were not audited so comparisons are not easily available.

2011 FINANCIAL HIGHLIGHTS

- Total revenue for the year was \$772,933 which is typical for our city.
- Total expenses for the year were \$775,221 which includes \$435,275 from governmental activities and \$319,946 from enterprise funds.
- The City's cash balance increased \$17,712 for the year ended June 30, 2011.

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 local 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>2010-2011</u>
Receipts and transfers:	
Program Receipts:	
Charges for Service	\$ 83,647
Grants and Contributions	163,777
General Receipts:	
Property Tax	183,871
Local Option Sales Tax	49,455
Miscellaneous	10,412
Interest on Investments	<u>4,099</u>
 Total Receipts:	 <u>495,261</u>
 Disbursements:	
Public Safety	56,351
Public Works	162,513
Culture and recreation	83,195
Community and Economic Development	50,279
General Government	60,828
Debt Service	22,109
Transfers Out	<u>23,429</u>
 Total Disbursements	 <u>458,704</u>

Change in cash balances	36,557
Cash basis net assets beginning of the year	<u>247,724</u>
Cash basis net assets end of the year	<u>284,281</u>
	=====

Changes in Cash Basis Net Assets of Business Type Activities

2010-2011

Receipts:

Program Receipts:

Charges for services:

Sewer	\$ 125,762
Water	111,432
Capital grants	10,697
Miscellaneous	29,045
Interest on Investments	736
Transfers in	<u>23,429</u>
Total Receipts	<u>301,101</u>

Disbursements:

Sewer	181,452
Water	116,916
Non-major	<u>21,578</u>
Total Disbursements	<u>319,946</u>

Change in cash balances	(18,845)
Cash basis net assets beginning of year	<u>158,952</u>
Cash basis net assets end of year	<u>140,107</u>
	=====

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ruthven completed the year, its governmental funds reported a combined fund balance of \$284,284, an increase of \$36,557 from last year's total of \$247,724. 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 \$6344 to a negative \$213,779. The new council will be reviewing this deficit.
- The Special Revenue, Road Use Account cash balance increased to \$116,186.

Individual Major Business-Type Fund Analysis

- The Sewer Fund had disbursements totaling \$181,452 which included \$62,700 for debt service. The cash balance also decreased \$25,060 due to insufficient rates. New rates went into effect with the February 2012 bills.
- The Water Fund cash balance increased \$17,096 during the year. This was mainly due to a transfer in from debt service to correct a payment paid from the wrong fund in a prior fiscal year.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The amendment increased budgeted disbursements by \$164,186 and receipts by \$132,626 due to gaming grants.

Debt Administration

As of June 30, 2011, the City had \$737,998 in bonds outstanding compared to \$795,998 the previous year, as shown below.

Outstanding Debt at Year-End

	<u>2011</u>
General Obligation Notes	\$ 15,998
Revenue Bonds	<u>722,000</u>
Total	\$ 737,998 =====

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 \$15,998 is significantly below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several factors were considered and affected the preparation of the City's 2012 budget, as follows:

- The local economy has remained consistent with the outlook for 2012 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 Kay Suhr, 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, 2011

	<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	\$ 56,351	-	96	-
Public works	162,513	61,758	99,630	-
Culture and recreation	83,195	20,534	16,378	-
Community and economic development	50,279	-	44,473	-
General government	60,828	1,355	3,200	-
Debt service	22,109	-	-	-
Total governmental activities	<u>435,275</u>	<u>83,647</u>	<u>163,777</u>	<u>-</u>
Business type activities:				
Sewer	181,452	125,762	-	-
Water	116,916	111,432	-	-
Non-major	21,578	-	-	10,697
Total business type activities	<u>319,946</u>	<u>237,194</u>	<u>-</u>	<u>10,697</u>
Total	<u>\$ 755,221</u>	<u>320,841</u>	<u>163,777</u>	<u>10,697</u>

General Receipts:

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

Cash Basis Net Assets

Restricted:	
Nonexpendable:	
Cemetery perpetual care	
Expendable:	
Debt service	
Streets	
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
(56,255)	-	(56,255)
(1,125)	-	(1,125)
(46,283)	-	(46,283)
(5,806)	-	(5,806)
(56,273)	-	(56,273)
(22,109)	-	(22,109)
<u>(187,851)</u>	<u>-</u>	<u>(187,851)</u>
-	(55,690)	(55,690)
-	(5,484)	(5,484)
-	(10,881)	(10,881)
-	(72,055)	(72,055)
<u>(187,851)</u>	<u>(72,055)</u>	<u>(259,906)</u>
164,316	-	164,316
19,555	-	19,555
49,455	-	49,455
4,099	736	4,835
10,412	29,045	39,457
(23,429)	23,429	-
<u>224,408</u>	<u>53,210</u>	<u>277,618</u>
36,557	(18,845)	17,712
247,724	158,952	406,676
<u>\$ 284,281</u>	<u>140,107</u>	<u>424,388</u>
120,090	-	120,090
9,010	-	9,010
116,186	-	116,186
314,219	-	314,219
(275,224)	140,107	(135,117)
<u>\$ 284,281</u>	<u>\$ 140,107</u>	<u>424,388</u>

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

As of and for the year ended June 30, 2011

	<u>General</u>	<u>Special Revenue Road Use</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receipts:				
Property tax	\$ 127,661	-	49,958	177,619
Other city tax	8,686	-	51,210	59,896
Licenses and permits	1,390	-	-	1,390
Use of money and property	7,849	-	-	7,849
Intergovernmental	15,176	72,940	4,587	92,703
Charges for service	81,467	-	-	81,467
Miscellaneous	3,834	-	70,503	74,337
Total receipts	<u>246,063</u>	<u>72,940</u>	<u>176,258</u>	<u>495,261</u>
Disbursements:				
Operating:				
Public safety	49,747	-	6,604	56,351
Public works	67,249	57,400	37,864	162,513
Culture and recreation	79,621	-	3,574	83,195
Community and economic development	8,242	-	42,037	50,279
General government	57,172	-	3,656	60,828
Debt service	-	-	22,109	22,109
Total disbursements	<u>262,031</u>	<u>57,400</u>	<u>115,844</u>	<u>435,275</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(15,968)</u>	<u>15,540</u>	<u>60,414</u>	<u>59,986</u>
Other financing sources (uses):				
Operating transfers in	9,624	-	-	9,624
Operating transfers out	-	-	(33,053)	(33,053)
Total other financing sources (uses)	<u>9,624</u>	<u>-</u>	<u>(33,053)</u>	<u>(23,429)</u>
Net change in cash balances	(6,344)	15,540	27,361	36,557
Cash balances beginning of year	(207,435)	100,646	354,513	247,724
Cash balances end of year	<u>\$ (213,779)</u>	<u>116,186</u>	<u>381,874</u>	<u>284,281</u>
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	120,090	120,090
Restricted for:				-
Debt service			9,010	9,010
Streets	-	116,186	-	116,186
Other purposes	-	-	314,219	314,219
Unassigned	(213,779)	-	(61,445)	(275,224)
Total cash basis fund balances	<u>\$ (213,779)</u>	<u>116,186</u>	<u>381,874</u>	<u>284,281</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2011

	Enterprise Funds			
	<u>Sewer</u>	<u>Water</u>	Non-Major <u>Recycling</u>	<u>Total</u>
Operating receipts:				
Charges for service	125,762	100,678	-	226,440
Miscellaneous	29,045	10,754	-	39,799
Total operating receipts	<u>154,807</u>	<u>111,432</u>	<u>-</u>	<u>266,239</u>
Operating disbursements:				
Business type activities	118,752	116,916	-	235,668
Total operating disbursements	<u>118,752</u>	<u>116,916</u>	<u>-</u>	<u>235,668</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>36,055</u>	<u>(5,484)</u>	<u>-</u>	<u>30,571</u>
Non-operating receipts (disbursements):				
Interest on investments	252	484	-	736
Intergovernmental	-	-	10,697	10,697
Debt service	(62,700)	-	-	(62,700)
Capital projects	-	-	(21,578)	(21,578)
Total non-operating receipts (disbursements)	<u>(62,448)</u>	<u>484</u>	<u>(10,881)</u>	<u>(72,845)</u>
Excess (deficiency) of receipts over (under) disbursements	(26,393)	(5,000)	(10,881)	(42,274)
Operating transfers in	<u>1,333</u>	<u>22,096</u>	<u>-</u>	<u>23,429</u>
Net change in cash balances	(25,060)	17,096	(10,881)	(18,845)
Cash balances beginning of year	<u>129,031</u>	<u>24,063</u>	<u>5,858</u>	<u>158,952</u>
Cash balances end of year	<u>103,971</u>	<u>41,159</u>	<u>(5,023)</u>	<u>140,107</u>
Cash Basis Fund Balances				
Unrestricted	<u>103,971</u>	<u>41,159</u>	<u>(5,023)</u>	<u>140,107</u>
Total cash basis fund balances	<u>\$ 103,971</u>	<u>\$ 41,159</u>	<u>(5,023)</u>	<u>140,107</u>

See notes to financial statements.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

(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, 2011

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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. 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, 2011

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 from general and emergency levies 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.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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, 2011

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

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

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

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

Unassigned – All amounts not included in other spendable classifications.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Subsequent Events

Subsequent events have been evaluated through February 2, 2012, which is the date the financial statements were available to be issued.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
United States E & EE Bonds	\$ 1,500	\$ 4,240
	=====	=====

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 15,998	975	39,000	21,660	54,998	22,635
2013	---	---	40,000	20,490	40,000	20,490
2014	---	---	41,000	19,290	41,000	19,290
2015	---	---	42,000	18,060	42,000	18,060
2016	---	---	44,000	16,800	44,000	16,800
2017-2021	---	---	239,000	63,510	229,000	63,510
2022-2026	---	---	<u>277,000</u>	<u>25,000</u>	<u>277,000</u>	<u>25,440</u>
Total	\$ 15,998	975	722,000	185,250	737,995	186,225
	=====	=====	=====	=====	=====	=====

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.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$900,000 of sewer revenue bonds issued in November 2006. Proceeds for the bonds provided financing for the constructions in improvements to the sewer treatment plant. The note are payable solely from sewer customer net receipts and are payable through 2026. Annual principal and interest payments on the notes are expected to require less than 10 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$907,250. For the current year, principal and interest paid and total customer net receipts were \$62,700 and \$36,055, respectively.

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. 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, 2011, was \$8,172, equal to the required contributions for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 3 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay as you go basis. The most recent active member monthly premiums for the City and plan members are \$1,228 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2011, the City contributed \$52,591 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and comp time	\$ 2,700
	=====

This liability has been computed based on rates of pay in effect at June 30, 2011.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Per Capita Grant	\$ 11,057
Enterprise: Water	Debt Service	21,996
	Special Revenue: Per Capita Grant	<u>100</u>
		22,096
Enterprise: Sewer	Special Revenue: Per Capita Grant	<u>1,333</u>
Total		\$ 34,486 =====

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

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operation contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operation surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$14,342.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool regains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

City of Ruthven, Iowa

Notes to Financial Statements

June 30, 2011

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contributions which the withdrawing member would have made for the one-year period following withdrawal.

(9) Deficit Balances

The General Fund had a deficit balance of \$213,779 at June 30, 2011. The Enterprise Fund, Recycling Account had a deficit balance of \$5,023 at June 30, 2011. There were also several Special Revenue Accounts that had deficit balances totaling \$61,445 at June 30, 2011. City officials should investigate alternatives to return these accounts to a positive financial condition.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 177,619	-
Other city tax	59,896	-
Licenses and permits	1,390	-
Use of money and property	7,849	736
Intergovernmental	92,703	10,697
Charges for service	81,467	226,440
Miscellaneous	74,337	39,799
Total receipts	<u>495,261</u>	<u>277,672</u>
Disbursements:		
Public safety	56,351	-
Public works	162,513	-
Culture and recreation	83,195	-
Community and economic development	50,279	-
General government	60,828	-
Debt service	22,109	-
Business type activities	-	319,946
Total disbursements	<u>435,275</u>	<u>319,946</u>
Excess (deficiency) of receipts over (under) disbursements	59,986	(42,274)
Other financing sources, net	<u>(23,429)</u>	<u>23,429</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	36,557	(18,845)
Balances beginning of year	<u>247,724</u>	<u>158,952</u>
Balances end of year	<u>\$ 284,281</u>	<u>140,107</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Original</u>	<u>Final</u>	Final to Net <u>Variance</u>
177,619	176,202	176,202	1,417
59,896	53,279	53,279	6,617
1,390	3,900	3,900	(2,510)
8,585	8,250	8,250	335
103,400	72,267	173,566	(70,166)
307,907	292,550	306,035	1,872
<u>114,136</u>	<u>4,350</u>	<u>22,010</u>	<u>92,126</u>
<u>772,933</u>	<u>610,798</u>	<u>743,242</u>	<u>29,691</u>
56,351	58,277	63,466	7,115
162,513	211,905	222,082	59,569
83,195	104,780	120,429	37,234
50,279	7,266	61,497	11,218
60,828	63,367	70,322	9,494
22,109	17,900	22,250	141
<u>319,946</u>	<u>273,020</u>	<u>340,655</u>	<u>20,709</u>
<u>755,221</u>	<u>736,515</u>	<u>900,701</u>	<u>145,480</u>
17,712	(125,717)	(157,459)	175,171
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
17,712	(125,717)	(157,459)	175,171
<u>406,676</u>	<u>353,028</u>	<u>407,260</u>	<u>(584)</u>
<u>424,388</u>	<u>227,311</u>	<u>249,801</u>	<u>174,587</u>

City of Ruthven, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. 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, business type activities. 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 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 receipts by \$132,444 and budgeted disbursements by \$164,186. The budget amendments are reflected in the final budgeted amounts.

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, 2011

	Employee Benefits	Local Option Sales Tax	Per Capita Grant	Pool Grant	Website Grant
Receipts:					
Property tax	\$ 31,067	-	-	-	-
Other city tax	1,091	49,455	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	29,151	366	-
Total receipts	<u>32,158</u>	<u>49,455</u>	<u>29,151</u>	<u>366</u>	<u>-</u>
Disbursements:					
Operating:					
Public safety	6,604	-	-	-	-
Public works	20,760	-	17,104	-	-
Culture and recreation	2,555	-	-	963	-
Community and economic development	-	-	-	-	-
General government	3,656	-	-	-	-
Debt service	-	-	-	-	-
Total disbursements	<u>33,575</u>	<u>-</u>	<u>17,104</u>	<u>963</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,417)</u>	<u>49,455</u>	<u>12,047</u>	<u>(597)</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	(11,057)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(11,057)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(1,417)	49,455	990	(597)	-
Cash balances beginning of year	84,140	145,196	28,161	(6,096)	(355)
Cash balances end of year	<u>82,723</u>	<u>194,651</u>	<u>29,151</u>	<u>(6,693)</u>	<u>(355)</u>
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Streets	-	-	-	-	-
Other purposes	82,723	194,651	29,151	-	-
Unassigned	-	-	-	(6,693)	(355)
Total cash basis fund balances	<u>82,723</u>	<u>194,651</u>	<u>29,151</u>	<u>(6,693)</u>	<u>(355)</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue

<u>Crowhill Cemetery</u>	<u>Park and Pool Grant</u>	<u>Library Grants</u>	<u>Landscaping Gaming Grant</u>	<u>Brownsfield Grants</u>	<u>Ruthven Signs</u>	<u>Fema</u>	<u>Pass Through Casino Grants</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,587	-
-	-	-	-	-	-	-	40,626
-	-	-	-	-	-	4,587	40,626
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
56	-	-	-	-	-	-	-
-	-	-	1,411	-	-	-	40,626
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
56	-	-	1,411	-	-	-	40,626
(56)	-	-	(1,411)	-	-	4,587	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(56)	-	-	(1,411)	-	-	4,587	-
(2,116)	(5,630)	(1,106)	1,304	(42,340)	(3,042)	3,107	-
(2,172)	(5,630)	(1,106)	(107)	(42,340)	(3,042)	7,694	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,694	-
(2,172)	(5,630)	(1,106)	(107)	(42,340)	(3,042)	-	-
(2,172)	(5,630)	(1,106)	(107)	(42,340)	(3,042)	7,694	-

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

As of and for the year ended June 30, 2011

	<u>Debt Service</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Receipts:			
Property tax	18,891	-	49,958
Other city tax	664	-	51,210
Intergovernmental	-	-	4,587
Miscellaneous	-	360	70,503
Total receipts	<u>19,555</u>	<u>360</u>	<u>176,258</u>
Disbursements:			
Operating:			
Public safety	-	-	6,604
Public works	-	-	37,864
Culture and recreation	-	-	3,574
Community and economic development	-	-	42,037
General government	-	-	3,656
Debt service	22,109	-	22,109
Total disbursements	<u>22,109</u>	<u>-</u>	<u>115,844</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,554)</u>	<u>360</u>	<u>60,414</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers (out)	(21,996)	-	(33,053)
Total other financing sources (uses)	<u>(21,996)</u>	<u>-</u>	<u>(33,053)</u>
Net change in cash balances	(24,550)	360	27,361
Cash balances beginning of year	33,560	119,730	354,513
Cash balances end of year	<u>9,010</u>	<u>120,090</u>	<u>381,874</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	-	120,090	120,090
Restricted for:			
Debt service	9,010	-	9,010
Streets	-	-	-
Other purposes	-	-	314,219
Unassigned	-	-	(61,445)
Total cash basis fund balances	<u>9,010</u>	<u>120,090</u>	<u>381,874</u>

See accompanying independent auditor's report.

City of Ruthven, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2011

<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
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>
<u>35,998</u>	<u>-</u>	<u>20,000</u>	<u>15,998</u>	<u>2,109</u>	<u>-</u>
<u>\$ 35,998</u>	<u>-</u>	<u>20,000</u>	<u>15,998</u>	<u>2,109</u>	<u>-</u>
<u>760,000</u>	<u>-</u>	<u>38,000</u>	<u>722,000</u>	<u>14,266</u>	<u>-</u>
<u>\$ 760,000</u>	<u>-</u>	<u>38,000</u>	<u>722,000</u>	<u>14,266</u>	<u>-</u>

Bond and Note Maturities

June 30, 2011

<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>
2012	6.095 %	15,998	2012	3.00 %	39,000
			2013	3.00	40,000
			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
Totals		<u>\$ 15,998</u>			<u>\$ 722,000</u>

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

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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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 2, 2012. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our opinion was qualified as we could not verify the distributions by fund of the total balance at July 1, 2010 as the financial statements were not audited for the previous three years. 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies..

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ruthven's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of 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, and 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.

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

February 2, 2012

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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.

I-B-11 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Ruthven does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- II-B-11 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.
- II-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-11 Business Transactions – No business transactions between the City and City officials were noted.
- II-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions.

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-11 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 included.

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.

II-H-11 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 will do this.

Conclusion – Response accepted.

II-I-11 Financial Condition – There were several accounts that had deficit balances at June 30, 2011. The General Fund, Enterprise Fund, Recycling Account, miscellaneous Special Revenue Funds had deficit balances of \$213,779, \$5,023 and \$61,445 respectively at year end.

Recommendation – The City should investigate alternatives to eliminate these deficits to a sound financial position.

City of Ruthven, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – We will review our options.

Conclusion – Response accepted.

II-J-11 Excess Fund Balance – It was noted during the course of our audit that the balance in the Special Revenue Fund, Employee Benefit account had a balance in excess of one years' expenditures as of June 30, 2011.

Recommendation – City officials should review this account and consider reducing the employee benefit tax levy in the future years.

Response – We will do this.

Conclusion – Response accepted.

II-K-11 Inactive Accounts – It was noted during the course of our audit that there were several accounts in the Special Revenue Fund that are no longer active.

Recommendation – City officials should review these accounts and review which ones should be closed out by transfer of funds.

Response – We will do this.

Conclusion – Response accepted.