



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

August 10, 2015

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Auditor of State Mary Mosiman today released an audit report on the City of Riverside, Iowa.

The City's receipts totaled \$3,164,886 for the year ended June 30, 2013. The receipts included \$212,223 in property tax, \$210,614 from tax increment financing, \$486,877 from charges for service, \$192,854 from operating grants, contributions and restricted interest, \$106,937 from capital grants, contributions and restricted interest, \$91,463 from local option sales tax, \$442,164 from gaming wager tax, \$207,969 from hotel/motel tax, \$1,050,822 from casino contributions, \$21,153 from unrestricted interest on investments and \$141,810 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$2,585,689, and included \$471,531 for debt service, \$465,434 for capital projects and \$450,487 for general government. Also, disbursements for business type activities totaled \$494,398.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0886-B00F.pdf>.

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CITY OF RIVERSIDE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Riverside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Poch	Mayor	Jan 2014
Kevin Kiene	Council Member	Jan 2014
Ralph Schnoebelen	Council Member	Jan 2014
Nate Kasdorf	Council Member	Jan 2016
Chris Kirkwood	Council Member	Jan 2016
Bob Schneider	Council Member	Jan 2016
Russell Rogerson	City Administrator/City Clerk	(Resigned May 2015)
Lory Young	Deputy City Clerk	Indefinite
Les Lamping	Attorney	Jan 2014
William J. Sueppel	Attorney	Indefinite

City of Riverside



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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 Riverside, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

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, 2012.

Qualified Opinions

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, 2012, 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 Riverside as of June 30, 2013, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Riverside's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 20 through 22, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2015 on our consideration of the City of Riverside's internal control over financial reporting and on 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 in considering the City of Riverside's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 26, 2015

Basic Financial Statements

City of Riverside

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 258,640	-	96,785	-
Public works	185,649	-	95,095	20,000
Culture and recreation	118,501	1,885	974	-
Community and economic development	141,049	-	-	86,937
General government	450,487	3,893	-	-
Debt service	471,531	-	-	-
Capital projects	465,434	-	-	-
Total governmental activities	2,091,291	5,778	192,854	106,937
Business type activities:				
Water	215,447	238,100	-	-
Sewer	257,850	218,413	-	-
Garbage	21,101	20,908	-	-
Total business type activities	494,398	477,421	-	-
Total	\$ 2,585,689	483,199	192,854	106,937

General Receipts:

Property and other city tax levied for general purposes

Tax increment financing

Local option sales tax

Gaming wager tax

Hotel/motel tax

Unrestricted interest on investments

Casino contributions

Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Streets

Urban renewal purposes

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(161,855)	-	(161,855)
(70,554)	-	(70,554)
(115,642)	-	(115,642)
(54,112)	-	(54,112)
(446,594)	-	(446,594)
(471,531)	-	(471,531)
(465,434)	-	(465,434)
(1,785,722)	-	(1,785,722)
-	22,653	22,653
-	(39,437)	(39,437)
-	(193)	(193)
-	(16,977)	(16,977)
(1,785,722)	(16,977)	(1,802,699)
212,223	-	212,223
210,614	-	210,614
91,463	-	91,463
442,164	-	442,164
207,969	-	207,969
21,153	-	21,153
1,050,822	-	1,050,822
145,488	-	145,488
2,381,896	-	2,381,896
596,174	(16,977)	579,197
1,469,821	728,371	2,198,192
\$ 2,065,995	711,394	2,777,389
\$ 214,241	-	214,241
107,316	-	107,316
109,464	-	109,464
1,634,974	711,394	2,346,368
\$ 2,065,995	711,394	2,777,389

City of Riverside

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

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Road Use Tax	Casino Revenue
Receipts:			
Property tax	\$ 163,271	-	-
Tax increment financing	-	-	-
Other city tax	699,085	-	-
Licenses and permits	3,893	-	-
Use of money and property	22,784	-	-
Intergovernmental	20,000	95,095	-
Miscellaneous	330,184	-	1,050,822
Total receipts	1,239,217	95,095	1,050,822
Disbursements:			
Operating:			
Public safety	258,640	-	-
Public works	124,547	54,407	-
Culture and recreation	118,501	-	-
Community and economic development	141,049	-	-
General government	450,487	-	-
Debt service	-	-	260,000
Capital projects	-	-	-
Total disbursements	1,093,224	54,407	260,000
Excess (deficiency) of receipts over (under) disbursements	145,993	40,688	790,822
Other financing sources (uses):			
Transfers in	269,000	-	-
Transfers out	-	-	(1,070,000)
Total other financing sources (uses)	269,000	-	(1,070,000)
Change in cash balances	414,993	40,688	(279,178)
Cash balances beginning of year	1,511,131	173,553	776,654
Cash balances end of year	\$ 1,926,124	214,241	497,476
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	214,241	-
Urban renewal purposes	-	-	-
Other purposes	-	-	-
Unassigned	1,926,124	-	497,476
Total cash basis fund balances	\$ 1,926,124	214,241	497,476

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	-	163,271
-	210,614	210,614
-	91,463	790,548
-	-	3,893
-	254	23,038
-	-	115,095
-	-	1,381,006
-	302,331	2,687,465
-	-	258,640
-	6,695	185,649
-	-	118,501
-	-	141,049
-	-	450,487
-	211,531	471,531
465,434	-	465,434
465,434	218,226	2,091,291
(465,434)	84,105	596,174
865,000	-	1,134,000
-	(64,000)	(1,134,000)
865,000	(64,000)	-
399,566	20,105	596,174
(1,183,142)	191,625	1,469,821
(783,576)	211,730	2,065,995
-	-	214,241
-	107,316	107,316
-	109,464	109,464
(783,576)	(5,050)	1,634,974
(783,576)	211,730	2,065,995

City of Riverside

City of Riverside

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

As of and for the year ended June 30, 2013

	Enterprise			Total
	Water	Sewer	Nonmajor Garbage	
Operating receipts:				
Charges for service	\$ 238,100	218,413	20,908	477,421
Operating disbursements:				
Business type activities	215,447	257,850	21,101	494,398
Excess (deficiency) of operating receipts over (under) operating disbursements	22,653	(39,437)	(193)	(16,977)
Transfers in	60,014	-	-	60,014
Transfers out	-	(60,014)	-	(60,014)
Net transfers	60,014	(60,014)	-	-
Change in cash balances	82,667	(99,451)	(193)	(16,977)
Cash balances beginning of year	480,150	246,885	1,336	728,371
Cash balances end of year	\$ 562,817	147,434	1,143	711,394
Cash Basis Fund Balances				
Unrestricted	\$ 562,817	147,434	1,143	711,394

See notes to financial statements.

City of Riverside

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Riverside is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Washington County Assessor's Conference Board, Washington County Emergency Management Commission and Washington County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 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 Casino Revenue Fund is used to account for the contributions received from the casino and is disbursed for general operating costs and capital improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and 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.

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 position 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:

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the public safety function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% 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. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$16,269, \$16,628 and \$16,471, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug, dental and life insurance benefits for employees, retirees and their spouses. There are 5 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and life insurance benefits are provided through fully-insured plans with Wellmark, Delta Dental and Lincoln Ancillary, respectively. Retirees under age 65 would pay the same premium for the medical/prescription drug, dental and life 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 premium for the City and plan members is \$1,212 for family coverage and \$46 for single coverage for medical/prescription drug benefits. Premiums for dental benefits are \$129 for family coverage. Life insurance premiums are based on age and other factors. Monthly premiums range from \$50 to \$77. For the year ended June 30, 2013, the City contributed \$54,531 and plan members eligible for benefits contributed \$6,104 to the plan.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory 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, sick leave and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick leave	\$ 19,000
Vacation	12,000
Compensatory time	<u>3,000</u>
Total	<u>\$ 34,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue:	
	Casino Revenue	\$ 235,000
	Local Option Sales Tax	34,000
		<u>269,000</u>
Capital Projects	Special Revenue:	
	Casino Revenue	835,000
	Local Option Sales Tax	30,000
		<u>865,000</u>
Enterprise : Water	Enterprise: Sewer	<u>60,014</u>
Total		<u>\$ 1,194,014</u>

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

(8) Infrastructure Finance and Development Agreement

The City entered into an interest free infrastructure finance and development agreement with Washington County to facilitate the issuance of tax increment financing (TIF) revenue bonds by the County for the expansion and upgrade of the City's water and sanitary sewer systems, including constructing new treatment facilities for both water and wastewater. This project was necessary to allow Riverside Casino and Golf Resort to hook up to the City's water and sanitary sewer systems. The City was unable to issue the bonds in its own name because of insufficient constitutional debt capacity. Therefore, Washington County issued \$9.4 million of TIF revenue bonds so the City could make the infrastructure additions for the Casino. The City agreed to pay Washington County \$175,000 per year to partially replace lost property tax revenues since all of the property tax collected from the Casino is used to pay the TIF debt. The payments to Washington County began on July 1, 2008 and continue annually until July 1, 2017. The remaining balance of the agreement was \$875,000 at June 30, 2013.

(9) Deficit Balances

The Capital Projects and Debt Service Funds had deficit balances of \$(783,576) and \$(5,050), respectively, at June 30, 2013. The deficit balance in the Capital Projects Fund was a result of a failure to transfer funds from the appropriate source to pay project costs incurred. The deficit will be eliminated after the City transfers funds. The deficit balance in the Debt Service Fund was a result of interest and fees paid from the Debt Service Fund which should have been paid from the Special Revenue, Casino Revenue Fund. The deficit will be eliminated after the City transfers funds from the Special Revenue, Casino Revenue Fund to the Debt Service Fund.

Other Information

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total
Receipts:			
Property tax	\$ 163,271	-	163,271
Tax increment financing	210,614	-	210,614
Other city tax	790,548	-	790,548
Licenses and permits	3,893	-	3,893
Use of money and property	23,038	-	23,038
Intergovernmental	115,095	-	115,095
Charges for service	-	477,421	477,421
Miscellaneous	1,381,006	-	1,381,006
Total receipts	<u>2,687,465</u>	<u>477,421</u>	<u>3,164,886</u>
Disbursements:			
Public safety	258,640	-	258,640
Public works	185,649	-	185,649
Culture and recreation	118,501	-	118,501
Community and economic development	141,049	-	141,049
General government	450,487	-	450,487
Debt service	471,531	-	471,531
Capital projects	465,434	-	465,434
Business type activities	-	494,398	494,398
Total disbursements	<u>2,091,291</u>	<u>494,398</u>	<u>2,585,689</u>
Excess (deficiency) of receipts over (under) disbursements	596,174	(16,977)	579,197
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	596,174	(16,977)	579,197
Balances beginning of year	<u>1,469,821</u>	<u>728,371</u>	<u>2,198,192</u>
Balances end of year	<u>\$ 2,065,995</u>	<u>711,394</u>	<u>2,777,389</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
159,994	159,994	3,277
208,900	208,900	1,714
652,968	652,968	137,580
7,200	4,200	(307)
30,000	19,750	3,288
147,056	178,756	(63,661)
574,100	538,337	(60,916)
1,130,000	1,130,000	251,006
2,910,218	2,892,905	271,981
119,592	121,642	(136,998)
233,237	244,537	58,888
137,725	141,725	23,224
129,500	154,500	13,451
367,830	452,830	2,343
648,350	644,100	172,569
560,000	637,000	171,566
583,896	598,896	104,498
2,780,130	2,995,230	409,541
130,088	(102,325)	681,522
-	20	(20)
130,088	(102,305)	681,502
1,885,251	1,324,646	873,546
2,015,339	1,222,341	1,555,048

City of Riverside

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$215,100. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the public safety function.

Supplementary Information

City of Riverside

City of Riverside

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

As of and for the year ended June 30, 2013

	Special Revenue			Total
	Urban Renewal Tax Increment	Local Option Sales Tax	Debt Service	
Receipts:				
Tax increment financing	\$ 210,614	-	-	210,614
Other city tax	-	91,463	-	91,463
Use of money and property	254	-	-	254
Total receipts	<u>210,868</u>	<u>91,463</u>	<u>-</u>	<u>302,331</u>
Disbursements:				
Operating:				
Public works	-	6,695	-	6,695
Debt service	206,481	-	5,050	211,531
Total disbursements	<u>206,481</u>	<u>6,695</u>	<u>5,050</u>	<u>218,226</u>
Excess (deficiency) of receipts over (under) disbursements	4,387	84,768	(5,050)	84,105
Other financing uses:				
Transfers out	-	(64,000)	-	(64,000)
Change in cash balances	4,387	20,768	(5,050)	20,105
Cash balances beginning of year	102,929	88,696	-	191,625
Cash balances end of year	<u>\$ 107,316</u>	<u>109,464</u>	<u>(5,050)</u>	<u>211,730</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ 107,316	-	-	107,316
Other purposes	-	109,464	-	109,464
Unassigned	-	-	(5,050)	(5,050)
Total cash basis fund balances	<u>\$ 107,316</u>	<u>109,464</u>	<u>(5,050)</u>	<u>211,730</u>

See accompanying independent auditor's report.

City of Riverside
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal fire station bonds	Jul 15, 2007	3.9-4.15%	\$ 1,100,000
Revenue bonds:			
Urban renewal revenue refunding bond	Feb 15, 2011	1.0-1.75%	\$ 985,000
Other:			
Infrastructure finance and development agreement	Jul 1, 2008	0.00%	\$ 1,750,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
200,000	-	200,000	-	5,925
260,000	-	260,000	-	4,550
1,050,000	-	175,000	875,000	-

City of Riverside



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STATE OF IOWA

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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Riverside, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we are unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Riverside's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Riverside's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Riverside's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (L) through (R) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Riverside'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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 Riverside's Responses to the Findings


The City of Riverside's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Riverside's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 26, 2015

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas:
- (1) Cash – handling, reconciling and recording
 - (2) Investments – investing, recording and custody.
 - (3) Receipts – collecting, recording, depositing, journalizing and reconciling.
 - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Transfers – recording and reconciling.
 - (8) Financial reporting – preparing, reconciling and distributing.
 - (9) Accounting system – performing all general accounting functions and having custody of City assets.
 - (10) Computer system – performing all general accounting functions and controlling all data input and output, including journal entries.

For the Riverside Volunteer Fire Department and First Responders, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Volunteer Fire Department and First Responders should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing available personnel, including elected officials.

Response – The City has taken all steps available with limited staff to help maintain as much segregation of duties as possible. These steps included:

- (1) Use of a numbered cash receipts book for cash transactions. Multiple employees verifying cash deposits to the bank with the cash receipts journals from the computer after every deposit is made. Timely receipting and deposits of cash and checks.
- (2) Worked with the accounting software vendor to add the investment CDs to the computer system so they are now included in our account balances. Cashed in the CDs when they matured and deposited them into the proper funds.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

- (3) Implemented dual signatures on all checks. Expenditure list is approved by the Council and reviewed by the Mayor. Payroll calculations are reviewed by the Mayor and Utility Clerk for verification. The Mayor randomly reviews time cards for verification.
- (4) A transfer resolution is approved by the Council before transfers are made.
- (5) All financial statements are available for review by any Council Member or the Mayor.

The Riverside Volunteer Fire Department and First Responders will submit all disbursements to the City for approval. The Utilities Billing Clerk will match the receipts and/or invoices to the listing provided and the City Clerk will post the disbursements to the City's accounting records.

Conclusion – Response acknowledged. However, the City should continue to review the responsibilities of City employees to ensure one person does not have control over a given area by utilizing all available personnel, including elected officials.

- (B) Separately Maintained Records – The Riverside Volunteer Fire Department and First Responders maintain bank accounts for activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's annual budget, monthly financial reports or Annual Financial Reports. However, the transactions and resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response – The City hired a consultant to assist in the process of working with the Riverside Volunteer Fire Department and First Responders to get all accounting records, levied taxes from townships, and disbursements to go through the City's financial records. In addition, the City included the Riverside Volunteer Fire Department and First Responders in the financial budget for the current fiscal year.

Conclusion – Response accepted.

- (C) Bank Reconciliations – City fund balances did not reconcile to the bank balances and there is no evidence an independent review of the bank reconciliations is performed.

Specifically, the bank reconciliation for the month ended June 30, 2013 identified a \$107,306.88 variance. As a result, the City posted a transaction to the City's accounting system to force the accounting system to balance to the bank statements. However, the bank inadvertently deposited \$107,306.88 twice into two separate City bank accounts in June 2013. Therefore, the transaction posted by the City to force the accounting system to balance should not have been made.

In addition, certain checks were returned to the City and were not redeemed. The City subsequently issued a new check for the total of all checks returned, but the original checks issued were not voided.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City’s fund balances should be reconciled to the bank balances monthly. Any variances should be investigated and corrected in a timely manner. In addition, if a check is reissued, the City should implement procedures to ensure the original check is properly voided.

Response – In June 2013, the bank made an error on the City’s accounts. The bank provided a letter stating they made the error. The City is working with the accounting software vendor to adjust balances in the accounting system to reconcile to the bank balances. The checks returned to the City, after the fact, were voided. The City Council approved the re-issuance of the new check.

All bank reconciliations are done in a timely manner by the Utility Billing Clerk and reviewed by the City Clerk and/or the Mayor. All financial statements are available for review upon request. Copies of the bank reconciliations are included.

Conclusion – Response acknowledged. The City should ensure all bank reconciliation variances are investigated and resolved to avoid recording incorrect transactions to the City’s accounting system.

- (D) Financial Reporting – During the audit, we identified material amounts of disbursements and transfers which were not properly recorded. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure disbursements and transfers are properly recorded in the City’s accounting records and financial statements.

Response – A transfer resolution is approved by the City Council before transfers are made. Steps have been implemented to ensure all disbursements and transfers are properly reported.

Conclusion – Response accepted.

- (E) Payroll – Supporting documentation was not available for hourly pay rates until November 19, 2012. The resolution passed by the City Council in July 2011 stated percentage increases, but not hourly rates, and the City Council did not pass a resolution to approve fiscal year 2013 hourly rates until November 19, 2012.

For two of the five time cards tested, the proper pay period dates were not entered into the City’s payroll system. In one instance, this resulted in an error in the vacation and sick leave accrual for that pay period. In addition, the accuracy of the payroll register could not be determined in one instance because a time card was incomplete.

City policy states the workday shall not consist of less than eight hours a day and any employee on an eight and one-half hour working day will take a one-half hour lunch break. The supervisor must approve employees to work through their lunch hour. The following instances of non-compliance with City policy were noted:

- Two employees worked less than eight hours on 23 and 13 days, respectively. However, no vacation, sick leave and/or compensatory time was recorded.
- City personnel working in City Hall do not clock out for a one-half hour lunch each day. As a result, they are paid for this time, which is

City of Riverside

Schedule of Findings

Year ended June 30, 2013

inconsistent with City policy and the practice for non-City Hall employees. The Deputy City Clerk did not record a one-half hour lunch on 116 days, a total of 58 hours, at a cost of \$1,044.

In addition, the hours recorded on the time cards did not always agree to the hours recorded in the payroll register and paid to three employees. Also, the City's policy regarding overtime was not properly applied for these employees. Discrepancies identified include:

- A public works employee was paid for 17.34 hours of overtime which should have been recorded as regular hours, resulting in an overpayment of \$202.83. However, the same employee was not paid for 8 hours of holiday time, resulting in an underpayment of \$192.64. The net overpayment to the employee is \$10.19. In addition, 7.25 hours were recorded as sick leave instead of regular hours.
- A public works employee was paid for 16.50 hours of overtime which should have been recorded as regular hours, resulting in an overpayment of \$72.55. However, the same employee was not paid for 2.5 regular hours and 8 hours of holiday time, resulting in an underpayment of \$249.78. The net underpayment to the employee is \$177.23. In addition, 8 hours of holiday time were recorded as hours worked and 48 hours of vacation were recorded as 28 hours of sick leave and 20 hours of vacation.
- The Deputy City Clerk's time cards reflected 6.50 hours more overtime than was recorded in the payroll register. However, unreasonably high overtime was identified, including 17.25 hours of overtime recorded on one day. In addition, she was paid for 6.75 hours of sick leave, 5.50 regular hours and 4.50 hours of compensatory time which should not have been paid, and she was not paid for 8 hours of holiday time and 8 hours of personal leave which should have been paid. The resulting net overpayment is \$13.50. Also, 8 hours of personal leave were recorded as 8 hours of sick leave.

Full-time and part-time City employees received Christmas bonuses of \$150 and \$50, respectively, in addition to their authorized salaries for the year ended June 30, 2013. There is no evidence of City Council approval of the bonuses in the City Council meeting minutes.

The City Administrator did not establish an appropriate work schedule as required by his contract and did not prepare time sheets or leave slips. As a result, hours worked were not documented and not all vacation and/or sick leave was accounted for.

Recommendation – The City Council should ensure all wage resolutions are approved in a timely manner and include the current hourly rate and the new hourly rate to ensure the approved percentage increase is applied correctly. In addition, time cards and/or time sheets should be available for all employees for all pay periods. The time cards and/or time sheets should be approved and initialed by the employee's supervisor or by an independent person not involved with payroll. An independent reviewer should ensure the hours worked recorded in the payroll journal reconcile to the hours recorded on the time cards and/or time sheets and are in compliance with current City policy. The City should consult legal counsel to determine how to resolve the overpayments and underpayments identified.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

The City Council should determine and document the public purpose of Christmas bonuses before authorizing any additional bonuses. If this practice is continued, the City should establish a written policy documenting the public purpose of such disbursements.

The City Administrator should establish an appropriate work schedule in accordance with his contract and complete time sheets to ensure all vacation and/or sick leave used is properly accounted for.

Response – Wage resolutions will include the current hourly rate and the new hourly rate when the resolution is passed. Time cards are reviewed by a supervisor and initialed and will be reconciled to the payroll journal to ensure proper recording. Current City policy is being reviewed.

No Christmas bonuses will be given, and all employees will complete a “time off form” which will be submitted with the time card for the week to be used in the calculation of hours worked.

Conclusion – Response accepted.

- (F) Salary Advances – Several instances of salary payments in advance of the wages being earned were noted. In accordance with an Attorney General’s opinion dated July 12, 1979, the credit of the State or its political subdivisions cannot be extended except for a public purpose, or to fulfill or liquidate a moral or legal obligation incurred by the State or its political subdivisions.

The Deputy City Clerk received three payroll advances totaling \$1,400, of which \$800 had not been repaid to the City as of June 30, 2013. In addition, the City Administrator received a payroll advance totaling \$500, of which \$300 had not been repaid to the City as of June 30, 2013.

The payroll advances issued were not tracked to ensure they were repaid in full. In addition, the Deputy City Clerk’s second payroll advance was issued prior to full repayment of the first payroll advance. Although the payroll advances were supported by a request form, they were not approved by the City Council.

Recommendation – The City should not allow salary payments in advance of wages earned.

Response – This policy has been removed from the Employee Handbook. All advances taken by previous and current employees have been paid in full.

Conclusion – Response accepted.

- (G) Paid Leave – In July 2012, two employees received paid leave payouts of \$1,925.59 for 113.27 hours and \$264.60 for 19.60 hours, respectively, which were not allowable under City policy.

Also, the vacation accrual for five employees was not calculated in accordance with City policy. In addition, the vacation balance carried forward for two employees was less than they had earned at their anniversary date and one employee was allowed to carry forward vacation hours in excess of the 80 hour maximum established by City policy.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

- The City Administrator's contract included 80 hours of vacation on his starting date. The City Council also agreed to provide him an additional 40 hours of vacation upon completion of 6 months of employment, for a total accrual of 120 hours. However, the City Administrator was credited with 160 hours of vacation on his starting date and began accruing vacation at the rate of 6.15 hours per pay period after his first month, which is the accrual rate for an employee with 11-20 years of service. As a result, the City Administrator accrued 273.75 hours of vacation during fiscal year 2013. In accordance with his contract and City policy, he should have accrued 120 hours of vacation, a difference of 153.75 hours.

The City Administrator does not complete leave slips for vacation or sick leave. On February 26, 2014, the City Administrator had a meeting scheduled with the auditors in the field. However, he was ill that day. During a subsequent review of the payroll journals, it was determined the City Administrator recorded hours worked rather than sick leave hours for February 26. As a result, the City Administrator's sick leave balance is overstated. We are unable to determine if this occurred on other dates.

- The Deputy City Clerk's offer of employment included 60 hours of vacation on her starting date. In addition, the City Administrator agreed to provide her the vacation accrual rate for an employee with 6-10 years of service, or 4.62 hours per pay period. Neither of these modifications was approved by the City Council. During fiscal year 2013, the Deputy City Clerk accrued 133.80 hours of vacation. However, in accordance with City policy, she should have accrued 25.41 hours, a difference of 108.39 hours.
- A public works employee was credited with 135.39 hours of vacation from May 2012 to May 2013 and 18.55 hours of vacation from May 2013 to June 2013. However, in accordance with City policy, he should have accrued 160 hours and 24.60 hours, respectively, during those periods. In addition, 121.30 hours of vacation were carried forward at his anniversary date in fiscal year 2013 rather than the 80 hour maximum in the City's policy and the 63.50 hour balance he should have had per City policy.
- A public works employee was credited with 110.88 hours of vacation from December 2011 to December 2012 and 55.32 hours of vacation from December 2012 to June 2013. However, in accordance with City policy, he should have accrued 120 hours and 69.30 hours, respectively, during those periods. In addition, 56.76 hours of vacation were carried forward at his anniversary date in fiscal year 2013 rather than the 59.75 hour balance he should have had per City policy.
- A public works employee was credited with 36.19 hours of vacation from February 2012 to February 2013 and 19.98 hours of vacation from February 2013 to June 2013. However, in accordance with City policy, he should have accrued 40 hours and 30.80 hours, respectively, during those periods. In addition, 20.19 hours were carried forward at his anniversary date in fiscal year 2013 rather than the 24 hour balance he should have had per City policy.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City should ensure any payouts of accumulated leave balances and any vacation balances carried forward are in compliance with established City policy. In addition, an independent person should review the payroll journal to ensure vacation, sick leave and compensatory time balances are accrued at the proper rate. The independent review should also compare time cards and/or leave slips to the payroll journal to ensure paid leave used is properly approved and recorded.

Response – Leave benefits are reviewed annually at fiscal year-end. Time cards and payroll registers are reviewed by the City Clerk, Utility Clerk and/or the Mayor.

Conclusion – Response acknowledged. The City should ensure the annual review identifies any non-compliance with City policy.

(H) Employment Contracts – The City Administrator and the Deputy City Clerk were hired during fiscal year 2013. The following issues were identified regarding their employment contracts:

- The City Administrator’s contract does not have a termination date. In addition, the contract allows for severance pay equal to six months’ salary in a lump sum, plus all earned but unused vacation.
- The City Administrator offered the Deputy City Clerk vacation and sick leave accruals which exceeded the rates established by City policy. However, the City Council did not review or approve the contract terms offered by the City Administrator.

Recommendation – The City Council should review and approve the terms of all employment contracts prior to offering the individual the position. If contract terms offered differ from or exceed established City policy, the City Council should document the public purpose of such an agreement.

Response – All employment contracts will be presented to the City Council for review and approval. The Council did give the City Administrator and the consultant the authority to offer additional benefits to hire the Deputy Clerk.

Conclusion – Response acknowledged. Because only the Deputy City Clerk’s hourly rate was approved in the City Council meeting minutes and City Council resolution, there is no evidence the City Council reviewed and approved the vacation and sick leave accruals in the Deputy City Clerk’s contract.

(I) Retirement Contributions – City Administrators have the option to exclude themselves from IPERS, but must instead enroll directly in an alternative retirement plan. In accordance with the City Administrator’s contract, if he did not participate in IPERS, the City was to enroll him in the International City Management Association’s retirement plan. Although the City Administrator chose not to participate in IPERS, the City’s retirement contributions were issued directly to him. For fiscal year 2013, retirement contributions paid to the City Administrator totaled \$6,559.31.

Recommendation – The City should consult with legal counsel to determine the proper disposition of this matter.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Response – The City will work closely with legal counsel in the event a retirement plan other than IPERS is utilized.

Conclusion – Response acknowledged. However, the City should consult with legal counsel to determine whether any further action is necessary regarding the payments made in fiscal year 2013.

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city and all expenditures...." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not materially agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports are supported by the City's records.

Response – The City worked closely with the State of Iowa Auditor's Office and the Iowa Department of Management to accurately reflect activity. Moving forward the fund balances will be done timely and reflect the balances of both the reconciled bank statements and the City's accounting system.

Conclusion – Response accepted.

- (K) Utilities – The following were noted regarding the City's utilities:

- Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- Garbage rates used for utility billings were not established by ordinance.
- The City has not issued refunds for water deposits in a timely manner.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Garbage rates used for utility billings should be established by City ordinance.

In addition, the City should implement procedures to ensure water deposits are monitored and refunded in accordance with City ordinance.

Response – The City has taken steps to implement a monthly reconciliation of utility billings, collections and delinquent accounts. Garbage rates will be established by ordinance moving forward, and deposit refunds are monitored monthly and processed in a timely manner.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

- (L) Disbursements – For the City, sufficient supporting documentation was not available for three of the thirty disbursements tested. In addition, supporting documentation could not be located for one disbursement.

Also, although the City has a written policy allowing certain items to be paid prior to City Council approval, the policy is broad and allows most expenses to be paid prior to approval.

For the Riverside Volunteer Fire Department and First Responders, the following was noted:

- There was no evidence the thirty disbursements tested had been properly approved.
- Four of the thirty disbursements did not appear to meet the requirements of public purpose, as follows:
 - Jerry Marge Catering was paid \$522 for lasagna and soda at a meeting,
 - Jerry Marge Catering was paid \$480 for a baked potato bar at a meeting,
 - Walmart was paid \$70 for Bloody Mary bar supplies and
 - Casey's General Store was paid \$12 for soda.
- Two of the thirty disbursements tested included sales tax totaling \$36.
- One of the thirty disbursements tested did not have sufficient supporting documentation.

Recommendation – All City disbursements should be accompanied by original, detailed receipts and/or invoices which should be reviewed by an independent person prior to payment. In addition, the City Council should review the policy allowing payment of certain bills prior to City Council approval to ensure only routine, monthly bills are included.

All Riverside Volunteer Fire Department and First Responders disbursements should be accompanied by original, detailed receipts and/or invoices which should be reviewed and approved by an independent person prior to payment. In addition, careful consideration should be given to the public purpose of all disbursements and sales tax should not be paid.

Response – All disbursements will be accompanied by original detailed receipts and matched to the disbursement register prior to City Council approval. They will be reviewed for sales tax and public purpose. Sales tax will not be paid. The City Council will review the payment policy.

All disbursements of the Riverside Volunteer Fire Department and First Responders will be approved by the City Council prior to payment, except in an emergency or bills which have been pre-approved. Disbursements will be reviewed to ensure they are supported by documentation, no sales tax has been added and they meet public purpose.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

- (M) Credit Cards – The City has credit cards for use by employees while on City business. However, supporting documentation was not available to support credit card charges. As a result, the purpose of the disbursements could not be determined.

Recommendation – Supporting documentation for all credit card charges should be retained.

Response – The City has implemented procedures to ensure the receipts are signed, dated and submitted to the City Clerk and/or Utility Billing Clerk for all credit card purchases. The receipts will be reconciled to the credit card statement each month prior to approval by the Council and payment.

Conclusion – Response accepted.

- (N) Investments – A detailed record of investment transactions was not maintained and the City's investments were not recorded in the City's accounting system. As a result, the City's investments were not included in the reconciliation of the fund balances to the bank balances.

Recommendation – A detailed record of investment transactions by fund should be maintained on a current basis. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest. In addition, the City's investments should be recorded in the City's accounting system and included in the reconciliation of the fund balances to the bank balances.

Response – A detailed record of investment transactions by fund is maintained on a current basis. All investments are currently in the accounting system, included in fund balances and reconciled to bank balances.

Conclusion – Response accepted.

- (O) Transfers – Transfers between funds were not balanced monthly and were not approved by the City Council prior to the transfer.

Recommendation – The City should balance transfers monthly and ensure all transfers are approved prior to the transfer. The approval and amount(s) should be documented as part of the City Council meeting minutes record.

Response – Transfers are approved by resolution of the City Council. Normally, transfers are only done once a year unless there is a budget amendment. When the Deputy City Clerk posts a journal entry, she reviews the entry to ensure it posted correctly.

Conclusion – Response acknowledged. When a transfer or journal entry is recorded, an independent individual should review the entry for accuracy.

- (P) Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operation and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

- (1) The City does not have a written policy regarding the authorization and security for setting, resetting and maintaining passwords for the City's accounting system.
- (2) The City does not have a written disaster recovery plan.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City should develop a written policy addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City is working on development of a written policy to improve the City’s control over the computer system. In addition, the City is working with a vendor to implement and improve the back-up system, storage of documents and disaster recovery plan.

Conclusion – Response accepted.

- (Q) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City has two accounting and procedure manuals currently in place. Staff is working on updating the manuals. The City has on-line and phone support through the software vendor available any time.

Conclusion – Response accepted.

- (R) City Council Oversight – The City Council has a fiduciary responsibility to provide oversight of the City’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity. Many of the findings included in this report are indications the City Council did not exercise proper fiduciary oversight.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort by all members. In the future, the City Council should exercise due care and require and review pertinent information and documentation prior to making decisions impacting the City. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

Response – The City Council will review and discuss situations and exercise due diligence in making decisions in the best interest of the community. A human resources consultant was hired to revise and update the current Employee Handbook.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the public safety function. 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 included the activity for the Riverside Volunteer Fire Department and First Responders.

Response – Activity for the Riverside Volunteer Fire Department and First Responders is included in the City’s current budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
City:		
Internal Revenue Service	Penalties for late payments	\$ 1,360
IPERS	Interest on late payments	276
Murphy’s Bar and Grill	Dinner for hiring committee and candidates	96
Volunteer Fire Department and First Responders:		
Jerry Marge Catering	Lasagna, baked potato bar and soda for meetings	1,002
Walmart	Bloody Mary bar supplies	70
Various	Sales tax	36
Casey’s General Store	Soda	12

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City Council should establish written policies and procedures, including the requirements.

Response – The City Council will determine and document the public purpose served by disbursements before authorizing any further payments.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transaction – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ralph Schnoebelen, Council Member, Owner of Schnoebelen, Inc.	Parts and labor	\$ 1,974
Kevin Kiene, Council Member, Owner of Latta Kiene Plumbing	Parts	27

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Meeting Minutes – Certain disbursements were not approved by the City Council and other disbursements were not approved prior to disbursement in accordance with Chapter 372.13(6) of the Code of Iowa.

Although minutes of City Council proceedings were published, they were not always published within fifteen days and did not include the total disbursements from each fund or a summary for all receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, City Council meetings were not always preceded with proper notice as required by Chapter 21.4 of the Code of Iowa.

Also, minutes did not always include a complete list of disbursements and, in one instance, the disbursements and related descriptions published did not agree with actual disbursements. Official minutes do not always match the published minutes.

Minutes are not organized in a manner to allow easy identification of discussions and actions taken during City Council meetings.

Recommendation – All City disbursements should be approved by the City Council prior to disbursement, except for those allowed by City policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

The City should publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The City should also publish the total disbursements from each fund and a summary of all receipts, as required. In addition, the disbursement listing included in the minutes should be complete and reconcile to actual disbursements. Published minutes should match the official minutes maintained at City Hall and be organized in a manner to allow easy identification of discussions and actions taken during City Council meetings. In addition, meetings should be preceded with proper notice as required by Chapter 21.4 of the Code of Iowa.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Response – City disbursements will be approved by the Council prior to payment, except those allowed by City policy. Disbursements paid prior to Council approval will be listed on the bottom of the disbursement listing for review and approval. Minutes and disbursements will be sent to the newspaper in a timely manner to meet publication requirements. City staff will review the minutes and disbursement listing prior to publication to ensure accuracy.

Conclusion – Response acknowledged. The City should also publish a summary of all receipts as required.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (8) Infrastructure Finance and Development Agreement – The City paid the \$175,000 infrastructure finance and development agreement payment owed to Washington County from the General Fund instead of the Special Revenue, Casino Revenue Fund.

Recommendation – The City should ensure debt obligations are paid from the proper fund.

Response – In the future, City staff will ensure all payments are made from the proper fund as listed in the bond or other agreement.

Conclusion – Response accepted.

- (9) Revenue Bonds – The City paid the interest for the urban renewal revenue refunding bond from the Debt Service Fund instead of the Special Revenue, Casino Revenue Fund.

Recommendation – The City should ensure interest payments are made from the proper fund.

Response – In the future, City staff will ensure all payments are made from the proper fund as listed in the bond or other agreement.

Conclusion – Response accepted.

- (10) Financial Condition – The Capital Projects and Debt Service Funds had deficit balances of \$783,576 and \$5,050, respectively, at June 30, 2013.

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

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Response – Fund balances will be monitored monthly to ensure they are in good standing. If the need arises, a budget amendment will be made to return fund balances to a sound financial position.

Conclusion – Response accepted.

- (11) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

At June 30, 2013, the City had a cash balance of \$107,316 in the Special Revenue, Urban Renewal Tax Increment Fund. However, the City had no outstanding TIF debt at year end.

Recommendation – The City should consult TIF legal counsel to determine the propriety of the transfer to the General Fund and the remaining fund balance at June 30, 2013.

Effective July 1, 2012, House File 2460 requires any balance remaining in a TIF Fund created under section 403.19 of the Code of Iowa to be transferred to the County Treasurer for reapportionment to the funds of the respective taxing districts.

Response – The TIF funds were returned to the County Treasurer for reapportionment to the respective taxing districts.

Conclusion – Response accepted.

- (12) Urban Renewal Annual Report – There is no record the Urban Renewal Annual Report was approved or certified to the Iowa Department of Management on or before December 1.

Recommendation – The City should file the Urban Renewal Annual Report timely and ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – The City will file the Urban Renewal Annual Report timely and ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

Conclusion – Response accepted.

- (13) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

City of Riverside

Schedule of Findings

Year ended June 30, 2013

Response – The City requested the financial institution to provide both the front and back copies of the checks in the monthly statements.

Conclusion – Response accepted.

City of Riverside

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager
Amanda L. Burt, Staff Auditor
Todd E. Pudenz, CPA, Staff Auditor
Lucas D. Bernhard, Assistant Auditor
Megan E. Irvin, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA
Deputy Auditor of State