



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 10, 2016

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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 \$2,831,935 for the year ended June 30, 2015. The receipts included \$486,251 in property tax, \$557,217 from charges for service, \$246,909 from operating grants, contributions and restricted interest, \$60,646 from capital grants, contributions and restricted interest, \$97,295 from local option sales tax, \$433,674 from gaming wager tax, \$174,155 from hotel/motel tax, \$709,065 from casino contributions, \$26,233 from commercial/industrial tax replacement, \$18,852 from unrestricted interest on investments and \$21,638 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$2,223,734, and included \$521,393 for general government, \$474,001 for capital projects and \$268,471 for public safety. Also, disbursements for business type activities totaled \$561,505.

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 <https://auditor.iowa.gov/reports/1521-0886-B00F>.

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CITY OF RIVERSIDE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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City of Riverside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Poch	Mayor	Jan 2016
Ralph Schnoebelen	Mayor Pro Tem	Jan 2018
Nate Kasdorf	Council Member	Jan 2016
Chris Kirkwood	Council Member	Jan 2016
Robert Schneider, Jr.	Council Member	Jan 2016
Tom Sexton	Council Member	Jan 2018
Russell Rogerson	City Administrator/Economic Development Director	(Resigned May 2015)
Lory Young	City Clerk/Finance Officer	Indefinite
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, 2015, 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, 2014.

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, 2014, 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, 2015, 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 discussed 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.

Emphasis of a Matter

As discussed in Note 4, the City of Riverside adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 Schedule 1 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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 31, 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 May 27, 2016 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

May 27, 2016

City of Riverside

Basic Financial Statements

City of Riverside

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 268,471	800	103,287	-
Public works	90,224	-	103,255	-
Culture and recreation	62,412	4,730	14,607	-
Community and economic development	70,728	-	-	60,646
General government	521,393	7,625	25,760	-
Debt service	175,000	-	-	-
Capital projects	474,001	-	-	-
Total governmental activities	1,662,229	13,155	246,909	60,646
Business type activities:				
Water	256,580	292,551	-	-
Sewer	282,971	227,793	-	-
Garbage	21,954	23,718	-	-
Total business type activities	561,505	544,062	-	-
Total	\$ 2,223,734	557,217	246,909	60,646

General Receipts:

Property and other city tax levied for general purposes
 Local option sales tax
 Gaming wager tax
 Hotel/motel tax
 Commercial/industrial tax replacement
 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

Fire

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
(164,384)	-	(164,384)
13,031	-	13,031
(43,075)	-	(43,075)
(10,082)	-	(10,082)
(488,008)	-	(488,008)
(175,000)	-	(175,000)
(474,001)	-	(474,001)
(1,341,519)	-	(1,341,519)
-	35,971	35,971
-	(55,178)	(55,178)
-	1,764	1,764
-	(17,443)	(17,443)
(1,341,519)	(17,443)	(1,358,962)
486,251	-	486,251
97,295	-	97,295
433,674	-	433,674
174,155	-	174,155
26,233	-	26,233
18,852	-	18,852
709,065	-	709,065
21,638	-	21,638
1,967,163	-	1,967,163
625,644	(17,443)	608,201
2,642,588	556,084	3,198,672
\$ 3,268,232	538,641	3,806,873
\$ 262,442	-	262,442
236,657	-	236,657
124,150	-	124,150
2,644,983	538,641	3,183,624
\$ 3,268,232	538,641	3,806,873

City of Riverside

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

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Road Use Tax	Casino Revenue
Receipts:			
Property tax	\$ 421,778	-	-
Other city tax	64,473	-	-
Licenses and permits	7,625	-	-
Use of money and property	34,083	-	-
Intergovernmental	26,233	103,255	-
Miscellaneous	202,745	-	1,316,894
Total receipts	756,937	103,255	1,316,894
Disbursements:			
Operating:			
Public safety	268,127	-	-
Public works	44,849	45,375	-
Culture and recreation	62,412	-	-
Community and economic development	12,426	-	58,302
General government	410,159	-	-
Debt service	-	-	175,000
Capital projects	-	-	-
Total disbursements	797,973	45,375	233,302
Excess (deficiency) of receipts over (under) disbursements	(41,036)	57,880	1,083,592
Other financing sources (uses):			
Transfers in	84,123	-	-
Transfers out	(1,983,509)	-	(525,000)
Total other financing sources (uses)	(1,899,386)	-	(525,000)
Change in cash balances	(1,940,422)	57,880	558,592
Cash balances beginning of year	3,351,274	204,562	133,655
Cash balances end of year	\$ 1,410,852	262,442	692,247
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	262,442	-
Fire	-	-	-
Other purposes	-	-	-
Unassigned	1,410,852	-	692,247
Total cash basis fund balances	\$ 1,410,852	262,442	692,247

See notes to financial statements.

Capital		
Projects	Nonmajor	Total
-	-	421,778
-	97,295	161,768
-	-	7,625
-	166	34,249
-	-	129,488
-	13,326	1,532,965
-	110,787	2,287,873
-	344	268,471
-	-	90,224
-	-	62,412
-	-	70,728
-	111,234	521,393
-	-	175,000
474,001	-	474,001
474,001	111,578	1,662,229
(474,001)	(791)	625,644
2,298,200	223,509	2,605,832
-	(97,323)	(2,605,832)
2,298,200	126,186	-
1,824,199	125,395	625,644
(1,282,315)	235,412	2,642,588
541,884	360,807	3,268,232
-	-	262,442
-	236,657	236,657
-	124,150	124,150
541,884	-	2,644,983
541,884	360,807	3,268,232

City of Riverside

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

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water	Sewer	Nonmajor Garbage	
Operating receipts:				
Charges for service	\$ 292,551	227,793	23,718	544,062
Operating disbursements:				
Business type activities	256,580	282,971	21,954	561,505
Change in cash balances	35,971	(55,178)	1,764	(17,443)
Cash balances beginning of year	493,740	61,014	1,330	556,084
Cash balances end of year	\$ 529,711	5,836	3,094	538,641
Cash Basis Fund Balances				
Unrestricted	\$ 529,711	5,836	3,094	538,641

See notes to financial statements.

City of Riverside

Notes to Financial Statements

June 30, 2015

(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.

These financial statements present the City of Riverside (the primary government) and the Riverside Emergency Services Association (component unit). This component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Riverside Emergency Services Association is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

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:

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 is often subject to constraints 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, 2015, disbursements exceeded the amounts budgeted in the public safety, community and economic development and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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 ensure 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 Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$23,198.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$145,100. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.000037%, which was a decrease of 0.00011% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows or resources and collective deferred inflows of resources totaled \$10,860, \$7,981 and \$55,337, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 274,162	145,100	36,158

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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 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 \$1,722 for family coverage for medical/prescription drug benefits. Monthly premiums for dental benefits are \$37.26 per adult covered and \$31.40 per child under age 21 covered. Life insurance premiums are based on age and other factors. Monthly premiums range from \$62 to \$88. For the year ended June 30, 2015, the City contributed \$93,310 and plan members eligible for benefits contributed \$9,556 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, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick leave	\$ 24,000
Vacation	10,000
Compensatory time	2,000
Total	<u>\$ 36,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue:	
	Casino Revenue	\$ 45,000
	Local Option Sales Tax	38,800
	Urban Renewal Tax Increment	323
		<u>84,123</u>
Special Revenue:		
Riverside Emergency Services Association	General	<u>223,509</u>
Capital Projects	General	1,760,000
	Special Revenue:	
	Casino Revenue	480,000
	Local Option Sales Tax	58,200
		<u>2,298,200</u>
Total		<u>\$ 2,382,323</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.

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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 421,778	-	-	421,778
Other city tax	161,768	-	-	161,768
Licenses and permits	7,625	-	-	7,625
Use of money and property	34,249	-	166	34,083
Intergovernmental	129,488	-	-	129,488
Charges for service	-	544,062	-	544,062
Special assessments	-	-	-	-
Miscellaneous	1,532,965	-	13,326	1,519,639
Total receipts	2,287,873	544,062	13,492	2,818,443
Disbursements:				
Public safety	268,471	-	344	268,127
Public works	90,224	-	-	90,224
Culture and recreation	62,412	-	-	62,412
Community and economic development	70,728	-	-	70,728
General government	521,393	-	-	521,393
Debt service	175,000	-	-	175,000
Capital projects	474,001	-	-	474,001
Business type activities	-	561,505	-	561,505
Total disbursements	1,662,229	561,505	344	2,223,390
Excess (deficiency) of receipts over (under) disbursements	625,644	(17,443)	13,148	595,053
Other financing sources, net	-	-	223,509	(223,509)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	625,644	(17,443)	236,657	371,544
Balances beginning of year	2,642,588	556,084	-	3,198,672
Balances end of year	\$ 3,268,232	538,641	236,657	3,570,216

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
406,411	409,962	11,816
753,553	90,000	71,768
4,300	6,761	864
22,298	25,967	8,116
157,818	101,818	27,670
612,659	633,896	(89,834)
3,000	3,534	(3,534)
87,000	1,073,932	445,707
2,047,039	2,345,870	472,573
142,495	151,511	(116,616)
101,202	182,702	92,478
146,350	146,350	83,938
69,200	69,200	(1,528)
243,367	609,766	88,373
-	175,000	-
130,627	414,601	(59,400)
554,980	570,729	9,224
1,388,221	2,319,859	96,469
658,818	26,011	569,042
-	-	(223,509)
658,818	26,011	345,533
3,199,220	3,671,646	(472,974)
3,858,038	3,697,657	(127,441)

City of Riverside

Notes to Other Information – Budgetary Reporting

June 30, 2015

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, except the blended component unit. 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 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 \$931,638. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, community and economic development and capital projects functions.

City of Riverside

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.000037%
City's proportionate share of the net pension liability	\$ 145
City's covered-employee payroll	\$ 251
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.77%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Riverside

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 22	21	19	18
Contributions in relation to the statutorily required contribution	<u>(22)</u>	<u>(21)</u>	<u>(19)</u>	<u>(18)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 251	239	214	223
Contributions as a percentage of covered-employee payroll*	8.93%	8.93%	8.67%	8.07%

* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousand.

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
17	16	14	13	9	6
(17)	(16)	(14)	(13)	(9)	(6)
-	-	-	-	-	-
240	235	214	209	156	85
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

City of Riverside

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

City of Riverside

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, 2015

	Special Revenue			Total
	Urban Renewal Tax Increment	Local Option Sales Tax	Riverside Emergency Services Association	
Receipts:				
Other city tax	\$ -	97,295	-	97,295
Use of money and property	-	-	166	166
Miscellaneous	-	-	13,326	13,326
Total receipts	-	97,295	13,492	110,787
Disbursements:				
Operating:				
Public safety	-	-	344	344
General government	111,234	-	-	111,234
Total disbursements	111,234	-	344	111,578
Excess (deficiency) of receipts over (under) disbursements	(111,234)	97,295	13,148	(791)
Other financing sources (uses):				
Transfers in	-	-	223,509	223,509
Transfers out	(323)	(97,000)	-	(97,323)
Total other financing sources (uses)	(323)	(97,000)	223,509	126,186
Change in cash balances	(111,557)	295	236,657	125,395
Cash balances beginning of year	111,557	123,855	-	235,412
Cash balances end of year	\$ -	124,150	236,657	360,807
Cash Basis Fund Balances				
Restricted:				
Fire	-	-	236,657	236,657
Other purposes	-	124,150	-	124,150
Total cash basis fund balances	\$ -	124,150	236,657	360,807

See accompanying independent auditor's report.

City of Riverside



**OFFICE OF AUDITOR OF STATE
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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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 27, 2016. 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, 2014.

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 (H) 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 (I) through (L) 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, 2015 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

May 27, 2016

City of Riverside

Schedule of Findings

Year ended June 30, 2015

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.

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

Response – City staff will make the best possible effort to separate duties. Staff will utilize the Mayor and City Council members to assist in review of documents.

Conclusion – Response accepted.

- (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.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

Response – Fire Department records have been turned over to the City as of June 30, 2015.

Conclusion – Response accepted.

- (C) Bank Reconciliations – City fund balances were not reconciled to the bank balances throughout the year. Also, transactions listed as deposits in transit and outstanding checks were not accurate.

Recommendation – The City’s fund balances should be reconciled to the bank balances monthly using accurate listings of deposits in transit and outstanding checks. Any variances should be investigated and corrected in a timely manner.

Response – All balances were reconciled in August 2015 when a representative from Tyler Technologies came on site to make the adjustments we all agreed with.

Conclusion – Response accepted.

- (D) Financial Reporting – During the audit, we identified material amounts of 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 transfers are properly recorded in the City’s accounting records and financial statements.

Response – Transfers will be recorded in the accounting records as approved by the City Council.

Conclusion – Response accepted.

- (E) Payroll – 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.

City policy states the workday shall consist of not 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:

- The City Clerk worked less than eight hours on certain days during eight pay periods throughout the fiscal year. In addition, a public works employee worked less than eight hours on one day within the pay period tested. 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 inconsistent with City policy and the practice for non-City Hall employees. The City Clerk did not always record a one-half hour lunch on days worked during fiscal year 2015, resulting in additional payroll costs incurred by the City.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

In addition, for the five time cards tested, there was no evidence of review or approval by the employee's supervisor. Hours were manually recorded on several time cards instead of being properly stamped for hours worked. Also, the City's policy regarding overtime was not properly applied for certain employees. Overtime was often recorded and paid without documentation stating why overtime was needed or required and the City Administrator's approval of the overtime hours worked was not documented as required by the City's employee handbook. For two of the employees tested, overtime was incorrectly recorded and paid for two and three pay periods, respectively.

Recommendation – 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 recorded in the payroll register reconcile to the hours worked recorded on the time cards and/or time sheets and are in compliance with current City policy.

Response – The City has hired an independent Human Resources consultant to perform an independent review of payroll. The City will utilize the Mayor and the City Council for review of payroll records.

Conclusion – Response accepted.

- (F) Paid Leave – In fiscal year 2015, the City Clerk received a vacation payout of \$1,981.22 and a payout for personal days of \$368.00 for 86.14 and 16 hours, respectively. These payouts are not allowable under City policy.

Also, one employee tested was allowed to carry forward vacation hours in excess of the 80 hour maximum established by City policy.

Recommendation – The City should ensure any payouts of accumulated leave balances and any vacation balances carried forward are in compliance with established City policy.

Response – The personnel policy is being reviewed and revised, as needed. The City hired an independent Human Resources consultant to review all the employee records, benefits and hand book and make recommendations to City Council.

Conclusion – Response accepted.

- (G) 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 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 will ensure the ending fund balances reported on the Annual Financial Report agree with the City's accounting records.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

(H) 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 – 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 – City staff will perform monthly utility reconciliations. The City will utilize the Mayor and the City Council to review reconciliations. The City established an ordinance for garbage rates effective July 1, 2015. The City will refund water deposits in a timely manner.

Conclusion – Response accepted.

(I) Disbursements – In accordance with City policy, disbursements for travel are required to be pre-approved. In one instance, pre-approval was not documented.

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 were noted:

- There was no evidence the thirty disbursements tested had been properly approved.
- Three of the thirty disbursements did not appear to meet the requirements of public purpose, as follows:
 - JW’s Foods was paid \$246.79 for sports drinks, soda and water.
 - Kalona BP and Casey’s General Store were paid \$92.00 and \$72.71, respectively, for pizza.
- Three of the thirty disbursements did not have sufficient supporting documentation.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

Recommendation – The City should implement procedures to ensure disbursements for travel are pre-approved in accordance with City policy. 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.

Response – City staff will utilize the Mayor and the City Council to monitor functions and perform independent review.

Conclusion – Response accepted.

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

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

Response – All credit cards have been cancelled except one. The card is kept in the office in a locked file and checked out when needed. When the card is returned, receipts will also be returned with the card and cross-referenced with the billing statement.

Conclusion – Response accepted.

- (K) 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.

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 Attorney is currently working with City staff to draft a written policy.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

- (L) 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 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 a manual with procedures for the software and is working on a procedure manual for day-to-day operations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Riverside
 Schedule of Findings
 Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will monitor disbursements and amend the budget on a more timely basis.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (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	\$ 1,021

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 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 – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they 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.

Recommendation – The City should publish the total disbursements from each fund and a summary of all receipts, as required.

Response – The City began publishing these in August 2015.

Conclusion – Response accepted.

City of Riverside

Schedule of Findings

Year ended June 30, 2015

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Riverside Emergency Services Association – During the year ended June 30, 2015, the Riverside Emergency Services Association (Association) was established. This is an entity which is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

Prior to the establishment of the Association, the Riverside Volunteer Fire Department and First Responders maintained bank accounts for activity separate from the City Clerk’s accounting records. During the year ended June 30, 2015, these accounts were closed with a portion of the balance being remitted to the City and a portion of the balance being used to establish a separate bank account for the Association.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.” In addition, 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, by any city officer, employee, or other person and which show the receipt, use, and disposition of all city property.”

Recommendation – The City should consult legal counsel to determine the resolution of this matter.

Response – The City will consult with the City Attorney to determine what, if any, action needs to be taken.

Conclusion – Response accepted.

City of Riverside

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager
Melissa E. Janssen, CPA, Staff Auditor
Matthew C. Hickenbottom, Staff Auditor
Sidot K. Shipley, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State