



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

June 23, 2017

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

The City's receipts totaled \$1,914,759 for the year ended June 30, 2016. The receipts included \$823,160 of property tax, \$16,516 of tax increment financing, \$31,812 of charges for service, \$102,477 of operating grants, contributions and restricted interest, \$759,925 of capital grants, contributions and restricted interest, \$110,812 of local option sales tax, \$506 of unrestricted interest on investments and \$69,551 of other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$1,826,670, and included \$890,244 for capital projects, \$317,800 for debt service and \$208,163 for general government. Also, disbursements for business type activities totaled \$63,866.

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/1622-0785-B00F>.

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

**JUNE 30, 2016**

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**City of Riverdale**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sonya Paddock	Mayor	Jan 2016
Cheryl Channon	Council Member	Jan 2016
Dean Halsey	Council Member	Jan 2016
Doug Littrel	Council Member	Jan 2016
Linda Hupp	Council Member	Jan 2018
George Seaberg	Council Member	Jan 2018
Paula McIntosh	City Clerk/Treasurer	Indefinite
Mary Francis Blevins	Assistant City Clerk	Indefinite
Steven Hunter	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sonya Paddock	Mayor	Jan 2018
Linda Hupp	Council Member	Jan 2018
George Seaberg	Council Member	Jan 2018
Cheryl Channon	Council Member	Jan 2020
Dean Halsey	Council Member	Jan 2020
Doug Littrel	Council Member	Jan 2020
Paula McIntosh	City Clerk/Treasurer	Indefinite
Mary Francis Blevins	Assistant City Clerk	Indefinite
Steven Hunter	Attorney	Indefinite

**City of Riverdale**



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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 Riverdale, Iowa, as of and for the year ended June 30, 2016, 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 Modified 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 distributions by fund of the total fund balances at July 1, 2015.

### Modified 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, 2015, 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 Riverdale as of June 30, 2016, 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.

### 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 Riverdale's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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, 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, 2015 as discussed in the "Basis for Modified Opinions" paragraph, 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 26 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 June 7, 2017 on our consideration of the City of Riverdale'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 Riverdale's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State

June 7, 2017

**City of Riverdale**

## **Basic Financial Statements**

City of Riverdale

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 129,519	-	50,887	-
Public works	150,985	-	50,050	-
Culture and recreation	58,938	985	-	-
Community and economic development	7,155	-	-	-
General government	208,163	5,712	-	-
Debt service	317,800	-	-	-
Capital projects	890,244	-	1,540	759,925
Total governmental activities	1,762,804	6,697	102,477	759,925
Business type activities:				
Sewer	63,866	25,115	-	-
Total	\$ 1,826,670	31,812	102,477	759,925
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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

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Governmental Activities	Business Type Activities	Total
(78,632)	-	(78,632)
(100,935)	-	(100,935)
(57,953)	-	(57,953)
(7,155)	-	(7,155)
(202,451)	-	(202,451)
(317,800)	-	(317,800)
(128,779)	-	(128,779)
(893,705)	-	(893,705)
-	(38,751)	(38,751)
(893,705)	(38,751)	(932,456)

534,861	-	534,861
288,299	-	288,299
16,516	-	16,516
110,812	-	110,812
60,916	-	60,916
490	16	506
8,635	-	8,635
1,020,529	16	1,020,545
126,824	(38,735)	88,089
714,574	160,726	875,300
\$ 841,398	121,991	963,389

\$ 75,557	-	75,557
397	-	397
346,278	9,993	356,271
48,275	-	48,275
370,891	111,998	482,889
\$ 841,398	121,991	963,389

**City of Riverdale**

City of Riverdale

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

As of and for the year ended June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Receipts:</b>					
Property tax	\$ 438,517	259,147	41,773	-	739,437
Tax increment financing	-	-	-	16,516	16,516
Other city tax	49,822	29,152	4,749	110,812	194,535
Licenses and permits	5,712	-	-	-	5,712
Use of money and property	1,475	-	1,540	1	3,016
Intergovernmental	87,137	21,210	763,380	50,050	921,777
Miscellaneous	6,500	-	-	2,135	8,635
<b>Total receipts</b>	<b>589,163</b>	<b>309,509</b>	<b>811,442</b>	<b>179,514</b>	<b>1,889,628</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	127,664	-	-	1,855	129,519
Public works	136,631	-	-	14,354	150,985
Culture and recreation	58,938	-	-	-	58,938
Community and economic development	7,155	-	-	-	7,155
General government	208,163	-	-	-	208,163
Debt service	-	317,800	-	-	317,800
Capital projects	-	-	890,244	-	890,244
<b>Total disbursements</b>	<b>538,551</b>	<b>317,800</b>	<b>890,244</b>	<b>16,209</b>	<b>1,762,804</b>
Excess (deficiency) of receipts over (under) disbursements	50,612	(8,291)	(78,802)	163,305	126,824
<b>Other financing sources (uses):</b>					
Transfers in	111,516	-	-	-	111,516
Transfers out	-	-	-	(111,516)	(111,516)
<b>Total other financing sources (uses)</b>	<b>111,516</b>	<b>-</b>	<b>-</b>	<b>(111,516)</b>	<b>-</b>
Change in cash balances	162,128	(8,291)	(78,802)	51,789	126,824
Cash balances beginning of year	208,763	8,688	425,080	72,043	714,574
Cash balances end of year	\$ 370,891	397	346,278	123,832	841,398
<b>Cash Basis Fund Balances</b>					
<b>Restricted for:</b>					
Streets	\$ -	-	-	75,557	75,557
Debt service	-	397	-	-	397
Capital projects	-	-	346,278	-	346,278
Other purposes	-	-	-	48,275	48,275
Assigned for maintenance projects	15,000	-	-	-	15,000
Unassigned	355,891	-	-	-	355,891
<b>Total cash basis fund balances</b>	<b>\$ 370,891</b>	<b>397</b>	<b>346,278</b>	<b>123,832</b>	<b>841,398</b>

See notes to financial statements.

**City of Riverdale**

City of Riverdale

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund

As of and for the year ended June 30, 2016

	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 25,115
Operating disbursements:	
Business type activities	<u>55,168</u>
Deficiency of receipts under disbursements	<u>(30,053)</u>
Non-operating receipts (disbursements):	
Interest on investments	16
Capital projects	<u>(8,698)</u>
Net non-operating disbursements	<u>(8,682)</u>
Change in cash balance	(38,735)
Cash balance beginning of year	<u>160,726</u>
Cash balance end of year	<u>\$ 121,991</u>
<b>Cash Basis Fund Balance</b>	
Restricted for capital projects	\$ 9,993
Unrestricted	<u>111,998</u>
Total cash basis fund balance	<u>\$ 121,991</u>

See notes to financial statements.

**City of Riverdale**

City of Riverdale

Notes to Financial Statements

As of and for the year ended June 30, 2016

**(1) Summary of Significant Accounting Policies**

The City of Riverdale is a political subdivision of the State of Iowa located in Scott County. It was first incorporated in 1950 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 sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Riverdale 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 Riverdale (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit – The Riverdale Firefighters Association is legally separate from the City but so intertwined with the City, it is, in substance the same as the City. This component unit is reported as part of the City and blended into the Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Scott County Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Landfill Commission and Scott County Joint E-911 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.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

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

The City reports the following major proprietary fund:

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.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted, however, disbursements did exceed the amounts budgeted in the public safety and capital projects functions prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2016 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$184,445 pursuant to Rule 2a-7 under the investment Company Act of 1940. There are no limitations or restrictions on withdrawals for the IPAIT investments. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

The City had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes	
	Principal	Interest
2017	\$ 275,000	44,550
2018	280,000	37,000
2019	285,000	29,300
2020	295,000	20,913
2021	305,000	11,713
2022	75,000	1,688
Total	<u>\$ 1,515,000</u>	<u>145,163</u>

General Obligation Capital Loan Notes

On May 4, 2011, the City issued \$2,000,000 of general obligation capital loan notes for the purpose of construction, reconstruction, rehabilitation and renovation of street, water, sewer, storm sewer, including acquisition of right of way, and equipping the fire department. The notes bear interest at 3.00% to 3.625% per annum and mature June 1, 2021. During the year ended June 30, 2016, the City paid \$195,000 of principal on the notes.

On April 13, 2012, the City issued \$700,000 of general obligation capital loan notes for the purpose of paying the costs of street, sewer, water and storm water improvements, including land acquisition, and equipping the fire department. The notes bear interest at 2.00% to 2.25% per annum and mature June 1, 2022. During the year ended June 30, 2016, the City paid \$70,000 of principal on the notes.

## Bank Loan

On May 20, 2015 the City entered into a loan agreement with Wells Fargo Bank, National Association in Davenport, Iowa for a revolving line of credit up to \$959,000 for a short term multi-use trail project construction loan for the purpose of paying the project invoices until reimbursement of the grant funds could be obtained. The loan bears interest of 3.65% per annum and matured on November 30, 2015. During the year ended June 30, 2015, the City borrowed \$350,391 and repaid the balance during the year ended June 30, 2016.

## **(4) 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, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 – 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 percentage point. 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City’s contributions to IPERS for the year ended June 30, 2016 totaled \$7,351.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$51,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the 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, 2015, the City’s proportion was 0.0010522%, which was an increase of 0.0000717% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$4,384, \$9,994 and \$12,105, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an 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 geometric 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
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 of 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 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 that is 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	\$ 91,017	51,985	19,040

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](http://www.ipers.org).

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	95,000
	Tax Increment Financing	16,516
		<u>\$ 111,516</u>

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

**(6) Commitment**

During the year ended June 30, 2015, the City entered into a contract totaling \$1,108,321 for the Mississippi River Trail Phase II Project. As of June 30, 2016, costs of \$1,047,016 have been paid. The \$61,305 balance remaining will be paid as the project progresses.

**(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) New Accounting Pronouncement**

The City of Riverdale adopted the fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## **Other Information**

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 739,437	-	-
Tax increment financing	16,516	-	-
Other city tax	194,535	-	-
Licenses and permits	5,712	-	-
Use of money and property	3,016	16	1
Intergovernmental	921,777	-	-
Charges for service	-	25,115	-
Miscellaneous	8,635	-	2,135
Total receipts	1,889,628	25,131	2,136
<b>Disbursements:</b>			
Public safety	129,519	-	1,855
Public works	150,985	-	-
Culture and recreation	58,938	-	-
Community and economic development	7,155	-	-
General government	208,163	-	-
Debt service	317,800	-	-
Capital projects	890,244	-	-
Business type activities	-	63,866	-
Total disbursements	1,762,804	63,866	1,855
Excess (deficiency) of receipts over (under) disbursements	126,824	(38,735)	281
Other financing sources, net	-	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	126,824	(38,735)	281
Balances beginning of year	714,574	160,726	9,962
Balances end of year	\$ 841,398	121,991	10,243

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
739,437	745,652	745,652	(6,215)
16,516	16,693	16,693	(177)
194,535	183,212	183,212	11,323
5,712	390	390	5,322
3,031	527	527	2,504
921,777	102,372	102,372	819,405
25,115	87,500	87,500	(62,385)
6,500	5,500	5,500	1,000
1,912,623	1,141,846	1,141,846	770,777
127,664	96,500	147,386	19,722
150,985	163,800	163,800	12,815
58,938	74,290	74,290	15,352
7,155	32,500	32,500	25,345
208,163	331,302	331,302	123,139
317,800	318,800	318,800	1,000
890,244	-	1,047,000	156,756
63,866	87,500	87,500	23,634
1,824,815	1,104,692	2,202,578	377,763
87,808	37,154	(1,060,732)	1,148,540
-	-	836,136	(836,136)
87,808	37,154	(224,596)	312,404
865,338	657,176	657,176	208,162
953,146	694,330	432,580	520,566

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City of Riverdale

Notes to Other Information – Budgetary Reporting

June 30, 2016

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 Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. 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, two budget amendments increased budgeted disbursements by \$1,097,886. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and capital projects functions prior to the budget amendment.

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City of Riverdale

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

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	2016	2015
City's proportion of the net pension liability	0.0010522%	0.0009805%
City's proportionate share of the net pension liability	\$ 51,985	38,884
City's covered-employee payroll	\$ 72,086	64,157
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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City of Riverdale

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Three Years\*

Other Information

	2016	2015	2014
Statutorily required contribution	\$ 7,351	6,437	5,729
Contributions in relation to the statutorily required contribution	(7,351)	(6,437)	(5,729)
Contribution deficiency (excess)	\$ -	-	-
City's covered-employee payroll	\$ 82,322	72,086	64,157
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%

\* City's contributions and covered-employee payroll information for the years ended 2007-2013 were not readily available.

See accompanying independent auditor's report.

City of Riverdale

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**City of Riverdale**

**Supplementary Information**

City of Riverdale

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

As of and for the year ended June 30, 2016

	Road Use Tax	Tax Increment Financing	Special Local Option Sales Tax
Receipts:			
Tax increment financing	\$ -	16,516	-
Other city tax	-	-	110,812
Use of money and property	-	-	-
Intergovernmental	50,050	-	-
Miscellaneous	-	-	-
Total receipts	50,050	16,516	110,812
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	14,354	-	-
Total disbursements	14,354	-	-
Excess of receipts over disbursements	35,696	16,516	110,812
Other financing uses:			
Transfers out	-	(16,516)	(95,000)
Change in cash balances	35,696	-	15,812
Cash balances beginning of year	39,861	-	22,108
Cash balances end of year	\$ 75,557	-	37,920
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 75,557	-	37,920

See accompanying independent auditor's report.

Revenue		
Firefighters Award	Riverdale Firefighters Association	Total
-	-	16,516
-	-	110,812
-	1	1
-	-	50,050
-	2,135	2,135
-	2,136	179,514
-	1,855	1,855
-	-	14,354
-	1,855	16,209
-	281	163,305
-	-	(111,516)
-	281	51,789
112	9,962	72,043
112	10,243	123,832
112	10,243	123,832

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City of Riverdale  
Schedule of Indebtedness  
Year ended June 30, 2016

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Capital loan notes	May 4, 2011	3.00-3.625%	\$ 2,000,000
Capital loan notes	Apr 13, 2012	2.00-2.25	700,000
Total			
Bank Loan:			
Revolving line of credit	May 20, 2015	3.65%	\$ 959,000

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,275,000	-	195,000	1,080,000	41,325
505,000	-	70,000	435,000	10,475
<u>\$ 1,780,000</u>	<u>-</u>	<u>265,000</u>	<u>1,515,000</u>	<u>51,800</u>
<u>350,391</u>	<u>-</u>	<u>350,391</u>	<u>-</u>	<u>1,635</u>

**City of Riverdale**

City of Riverdale

Note Maturities

June 30, 2016

Year Ending June 30,	General Obligation Capital Loan Note		General Obligation Capital Loan Note		Total
	Issued May 4, 2011		Issued Apr 13, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2017	3.000%	\$ 205,000	2.00%	\$ 70,000	275,000
2018	3.000	210,000	2.00	70,000	280,000
2019	3.250	215,000	2.00	70,000	285,000
2020	3.500	220,000	2.00	75,000	295,000
2021	3.625	230,000	2.25	75,000	305,000
2022		-	2.25	75,000	75,000
Total		<u>\$ 1,080,000</u>		<u>\$ 435,000</u>	<u>1,515,000</u>

See accompanying independent auditor's report.

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



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

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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 Riverdale, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2017. Our report expressed modified 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 were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Riverdale'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 Riverdale's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Riverdale'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 and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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 Riverdale'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 C 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 deficiency described in the accompanying Schedule of Findings as item D to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Riverdale'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 which 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, 2016 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 Riverdale's Responses to the Findings

The City of Riverdale's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Riverdale'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 Riverdale 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

June 7, 2017

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one individual may have control over the following areas for which no compensating controls exist:

- (1) Cash – handling, reconciling, and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Utilities – opening mail, billing, collecting, depositing and posting.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.

For the Riverdale Firefighters Association (Association), one individual has control over the following areas:

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

Cause – The City and the Association have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City and the Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

Recommendation – The City and the Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will continue to use elected officials to obtain maximum internal controls.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – Cable franchise fees of \$5,322 were incorrectly posted to miscellaneous receipts rather than licenses and permits. Also, the receipt of \$4,981 for local option sales tax was posted as a miscellaneous receipt in the General Fund rather than the Local Option Sales Tax Fund. In addition, a disbursement of \$21,215 for concrete work from the General Fund was posted as a negative road use tax receipt in the Road Use Tax Fund. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Cause – City policies do not require and procedures have not been established to review the coding of receipts and disbursements in the accounting records by an independent person.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and adjustments to the City's financial statements were necessary.

Recommendation – The City should implement procedures to ensure the coding of receipts and disbursements in the accounting records are reviewed by an independent person.

Response – The proper coding is being reviewed. The City Council has authorized changes to the accounting system which would match the Iowa Uniform Chart of Accounts for Iowa City Governments. These changes will take place at the end of June 2017. The Mayor will work with the new City Clerk to develop policies and procedures to be presented to the City Council.

Conclusion – Response accepted.

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria - An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Cause - Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent accounts and to reconcile utility collections to deposits.

Effect - This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

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

Response - The City will use resources to establish a utility reconciliation.

Conclusion - Response accepted.

(D) Accounting Policies and Procedures Manual

Criteria - Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (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.

Condition - The City does not have accounting policies and procedures manuals.

Cause - The City has been unaware of the need for an accounting policies and procedures manual.

Effect - Lack of an accounting policies and procedures manual could result in a lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – The City will look into putting together a policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in capital projects and public safety functions before the budget was amended. 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 review the budget report to date, track and review overages.

Conclusion – Response accepted.

- (2) Questionable Disbursements – During the year, \$1,066 was disbursed for the Fire Department appreciation dinner. This disbursement may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

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 this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – The City will look into documenting public purpose for future events.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dean Halsey, Council Member, Mother is City Hall Janitor	Janitorial Services	\$ 4,200
Linda Hupp, City Council Member, Owner of Laser Cut Image	Engraving	230

City of Riverdale

Schedule of Findings

Year ended June 30, 2016

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the City Council Member do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. However, the transactions with the City Council Member's mother may appear to represent a conflict of interest since total transactions exceeded \$2,500 during the year and the transactions were not entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

Recommendation – The City should consult legal counsel and develop policies and procedures to comply with Chapter 362.5(3)(d) of the Code of Iowa.

Response – The City will consult with legal counsel and develop policies and procedures to comply with Chapter 362.5(3)(d) of the Code of Iowa.

Conclusion – Response accepted.

- (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 Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (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) Annual Urban Renewal Report – The annual urban renewal report was filed timely but was not approved by the City Council. In addition, the amount reported as TIF debt outstanding on the Annual Urban Renewal Report was \$1,693 rather than \$16,693, which was an understatement of \$15,000.

Recommendation – The City Council should review and approve the report prior to submission. The City should also ensure amounts reported on the Annual Urban Renewal Report agree with the City's records.

Response – The City will look into reviewing and approving reports.

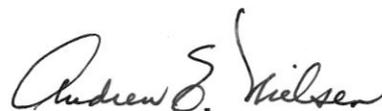
Conclusion – Response accepted.

City of Riverdale

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Suzanne R. Dahlstrom, CPA, Manager  
Sidot K. Shipley, Staff Auditor  
Lucas P. Mullen, Staff Auditor  
Christopher M. Anderson, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State