

CITY OF RIVERSIDE

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

JUNE 30, 2007

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City of Riverside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Poch	Mayor	January 1, 2008
Brian McDole	Mayor Pro tem	January 1, 2008
Mariellen Bower	Council Member	January 1, 2010
Todd Yahnke	Council Member	January 1, 2008
Randy Sexton	Council Member	January 1, 2010
Adam Richards	Council Member	January 1, 2008
Tina Thomas	City Clerk	Indefinite
Leslie Lamping	City Attorney	Indefinite
Donna Leyden	Utility Clerk	Indefinite

CITY OF RIVERSIDE



Ann M. Menke

Certified Public Accountant
A Professional Corporation

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PO Box 135

West Point, IA 52656
319/837-6042

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Riverside, Iowa

I 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Riverside's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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

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

In accordance with Government Auditing Standards, I have also issued my report dated October 15, 2007 on my consideration of the City of Riverside's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Riverside, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Riverside's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
October 15, 2007

BASIC FINANCIAL STATEMENTS

City of Riverside
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2007

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 75,550	\$ 34,646	\$ -	\$ -
Public works	104,694	30,597	77,692	-
Health and social services	-	-	-	-
Culture and recreation	158,546	1,340	-	-
Community and economic development	47,124	-	-	-
General government	179,823	-	-	-
Debt service	359,684	-	-	-
Capital projects	9,627,225	750,000	-	7,677,761
Total governmental activities	<u>10,552,646</u>	<u>816,583</u>	<u>77,692</u>	<u>7,677,761</u>
Business type activities				
Solid waste	19,700	19,778	-	-
Water	109,567	204,980	-	-
Sewer	123,748	139,655	-	-
Total business type activities	<u>253,015</u>	<u>364,413</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,805,661</u>	<u>\$ 1,180,996</u>	<u>\$ 77,692</u>	<u>\$ 7,677,761</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Cable TV franchise tax				
Hote/motel tax				
Unrestricted interest on investments				
Bond proceeds (net of issuance costs of \$36,783)				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Unrestricted				
Total cash basis net assets				

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

Governmental Activities	Business Type Activities	Total
\$ (40,904)	\$ -	\$ (40,904)
3,595	-	3,595
-	-	-
(157,206)	-	(157,206)
(47,124)	-	(47,124)
(179,823)	-	(179,823)
(359,684)	-	(359,684)
(1,199,464)	-	(1,199,464)
<u>(1,980,610)</u>	<u>-</u>	<u>(1,980,610)</u>
-	78	78
-	95,413	95,413
-	15,907	15,907
<u>-</u>	<u>111,398</u>	<u>111,398</u>
<u>(1,980,610)</u>	<u>111,398</u>	<u>(1,869,212)</u>
145,588	-	145,588
175,866	-	175,866
82,484	-	82,484
1,800	-	1,800
53,309	-	53,309
66,780	62	66,842
2,163,217	-	2,163,217
-	-	-
<u>2,689,044</u>	<u>62</u>	<u>2,689,106</u>
708,434	111,460	819,894
<u>613,737</u>	<u>182,197</u>	<u>795,934</u>
<u>\$ 1,322,171</u>	<u>\$ 293,657</u>	<u>\$ 1,615,828</u>
<u>1,322,171</u>	<u>293,657</u>	<u>1,615,828</u>
<u>\$ 1,322,171</u>	<u>\$ 293,657</u>	<u>\$ 1,615,828</u>

See notes to financial statements.

City of Riverside
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2007

	General	Capital Projects	Other Non Major Governmental Funds	Total
Receipts:				
Property tax	\$ 145,588	\$ -	\$ -	\$ 145,588
TIF revenues	-	-	175,866	175,866
Other city taxes	137,593	-	-	137,593
Licenses and permits	30,597	-	-	30,597
Use of money and property	36,749	29,963	1,379	68,091
Intergovernmental	-	4,990,733	77,692	5,068,425
Charges for services	29	750,000	-	750,029
Miscellaneous	1,287,239	1,434,435	-	2,721,674
Total receipts	<u>1,637,795</u>	<u>7,205,131</u>	<u>254,937</u>	<u>9,097,863</u>
Disbursements:				
Operating:				
Public safety	75,550	-	-	75,550
Public works	66,214	-	38,480	104,694
Culture and recreation	158,546	-	-	158,546
Community and economic development	47,124	-	-	47,124
General government	179,823	-	-	179,823
Debt service	-	-	359,684	359,684
Capital projects	-	9,627,225	-	9,627,225
Total disbursements	<u>527,257</u>	<u>9,627,225</u>	<u>398,164</u>	<u>10,552,646</u>
(Deficiency) excess of receipts				
(Under) over disbursements	1,110,538	(2,422,094)	(143,227)	(1,454,783)
Other financing sources (uses)				
Proceeds of long-term debt	-	2,163,217	-	2,163,217
Operating transfers in	-	680,864	254,819	935,683
Operating transfers out	(680,864)	(254,819)	-	(935,683)
Total other financing sources	<u>(680,864)</u>	<u>2,589,262</u>	<u>254,819</u>	<u>2,163,217</u>
Net change in cash balances	429,674	167,168	111,592	708,434
Cash balances beginning of year	164,142	156,874	292,721	613,737
Cash balances end of year	<u>\$ 593,816</u>	<u>\$ 324,042</u>	<u>\$ 404,313</u>	<u>\$ 1,322,171</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 593,816	\$ -	\$ -	\$ 593,816
Special revenue fund	-	-	404,313	404,313
Capital projects fund	-	324,042	-	324,042
Total cash basis fund balances	<u>\$ 593,816</u>	<u>\$ 324,042</u>	<u>\$ 404,313</u>	<u>\$ 1,322,171</u>

See notes to financial statements.

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

As of and for the Year Ended June 30, 2007

	Enterprise Funds			Total
	Water	Sewer	Other Non Major Proprietary Funds	
Operating receipts:				
Use of money and property	\$ 62	\$ -	\$ -	\$ 62
Charges for services	204,980	139,655	19,778	364,413
Total receipts	<u>205,042</u>	<u>139,655</u>	<u>19,778</u>	<u>364,475</u>
Operating disbursements:				
Business type activities	109,567	123,748	19,700	253,015
Total operating disbursements	<u>109,567</u>	<u>123,748</u>	<u>19,700</u>	<u>253,015</u>
Excess (deficiency) of operating receipts (under) over operating disbursements	95,475	15,907	78	111,460
Other financing sources (uses)				
Operating transfers in	14,825	-	-	14,825
Operating transfers out	-	(14,825)	-	(14,825)
Net non-operating receipts (disbursements)	<u>14,825</u>	<u>(14,825)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	110,300	1,082	78	111,460
Cash balances beginning of year	112,334	68,511	1,352	182,197
Cash balances end of year	<u>\$ 222,634</u>	<u>\$ 69,593</u>	<u>\$ 1,430</u>	<u>\$ 293,657</u>
Cash Basis Fund Balances				
Unreserved	222,634	69,593	\$ 1,430	\$ 293,657
Total cash basis fund balances	<u>\$ 222,634</u>	<u>\$ 69,593</u>	<u>\$ 1,430</u>	<u>\$ 293,657</u>

See notes to financial statements.

City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 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, health and social services, culture, and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens. The population of Riverside was 925 according to the 2000 census.

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 burdens on the City. The City of Riverside has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and enterprise funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Riverside 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 accounting principles generally accepted in the United States of America.

City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation function.

NOTE 2 – CASH AND POOLED INVESTMENTS

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

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The city did not have any funds invested in a security considered to be an investment by the Code of Iowa as of June 30, 2007.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007**

NOTE 3 – PENSION AND RETIRMENT BENEFITS

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

Most regular plan members are required to contribute 3.7% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City’s contribution to IPERS for the year ended June 30, 2007 was \$10,526, equal to the required contribution for the year.

NOTE 4– BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	85,000	21,042	295,000	99,638	380,000	120,680
2009	85,000	17,197	310,000	85,330	395,000	102,527
2010	90,000	13,258	325,000	70,140	415,000	83,398
2011	90,000	8,758	340,000	54,052	430,000	62,810
2012	40,000	4,150	355,000	37,052	395,000	41,202
2013	<u>45,000</u>	<u>2,370</u>	<u>375,000</u>	<u>19,125</u>	<u>420,000</u>	<u>21,495</u>
Total	<u>\$ 435,000</u>	<u>\$ 66,775</u>	<u>\$ 2,000,000</u>	<u>\$365,337</u>	<u>\$ 2,435,000</u>	<u>\$ 432,112</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue notes and bonds require that the notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.

**City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007**

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Vacation benefits are paid upon termination, retirement, or death. Sick leave benefits are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 9,785
Sick leave	<u>7,766</u>
Total	<u>17,551</u>

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

NOTE 6 – RISK MANAGEMENT

The City of Riverside 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.

NOTE 7 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$254,819
Water Fund	Sewer Fund	14,825
Capital Projects	General Fund	<u>680,864</u>
Total		<u>950,508</u>

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

City of Riverside
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – COMMITMENTS

The City of Riverside has outstanding construction commitments at June 30, 2007 of approximately \$1,313,000 which will be paid as work on the projects progresses. These projects will be funded through a general obligation bond and funds on hand.

The City of Riverside entered into a contract with Washington County for police protection. The County, through the Washington County Sheriff's Office, will supply police protection to the City at a cost of \$33,809 for the year ending June 30, 2008.

The City of Riverside entered into a contract with Kalona Public Library for library services. The Kalona Public Library will provide library services to the City at a cost of \$7,637 for the year ending June 30, 2008.

NOTE 9 – WASHINGTON COUNTY COMMITMENT

The City of Riverside entered into a contract with Washington County to facilitate the issuance of TIF Revenue Bonds by the County for the expansion and upgrade of the City's water and sanitary sewer systems including constructing new treatment facilities for both water and wastewater. This project was necessary to allow Riverside Casino and Golf Resort to hook up to the City's water and sanitary sewer systems. The City was unable to issue the bonds in its own name because of insufficient constitutional debt capacity. Therefore, Washington County issued \$9.4 million in TIF Revenue Bonds so the City could make the infrastructure additions for the casino. The City agreed to pay Washington County \$175,000 per year to partially replace lost property tax revenues since all of the property tax collected from the casino is used to pay the TIF debt. The payments will begin on July 1, 2008 and continue annually until July 1, 2017.

NOTE 10 – CASINO REVENUES

The City of Riverside entered into an eight year agreement with Riverside Casino and Golf Resort that commenced operations on August 31, 2006 where the Casino will pay the City an annual fee of \$1,700,000. The City must provide water and sanitary sewer services to the Casino in exchange for this annual fee.

NOTE 11 – SUBSEQUENT EVENTS

The City of Riverside issued \$1,100,000 in general obligation bonds for the construction of a new fire station in July, 2007.

REQUIRED SUPPLEMENTARY 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
Required Supplementary Information
Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts			
Property tax	\$ 145,588	\$ -	\$ 145,588
Tax increment financing collections	175,866	-	175,866
Other city taxes	137,593	-	137,593
Licenses and permits	30,597	-	30,597
Use of money and property	68,091	62	68,153
Intergovernmental	5,068,425	-	5,068,425
Charges for services	750,029	364,413	1,114,442
Special assessments	-	-	-
Miscellaneous	2,721,674	-	2,721,674
Total receipts	<u>9,097,863</u>	<u>364,475</u>	<u>9,462,338</u>
Disbursements			
Public safety	75,550	-	75,550
Public works	104,694	-	104,694
Culture and recreation	158,546	-	158,546
Community and economic development	47,124	-	47,124
General government	179,823	-	179,823
Debt service	359,684	-	359,684
Capital projects	9,627,225	-	9,627,225
Business type activities	-	253,015	253,015
Total disbursements	<u>10,552,646</u>	<u>253,015</u>	<u>10,805,661</u>
Excess of receipts over disbursements	(1,454,783)	111,460	(1,343,323)
Other financing sources, net	<u>2,163,217</u>	<u>-</u>	<u>2,163,217</u>
Excess of receipts and other financing sources over disbursements and other financing uses	708,434	111,460	819,894
Balance, beginning of year	<u>613,737</u>	<u>182,197</u>	<u>795,934</u>
Balance, end of year	<u>\$ 1,322,171</u>	<u>\$ 293,657</u>	<u>\$ 1,615,828</u>

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 142,763	\$ 142,763	\$ 2,825
175,122	175,122	744
1,160,429	1,336,429	(1,198,836)
5,300	23,300	7,297
-	-	68,153
1,082,600	1,526,600	3,541,825
237,945	374,945	739,497
4,000	4,000	(4,000)
1,783,816	1,801,816	919,858
<u>4,591,975</u>	<u>5,384,975</u>	<u>4,077,363</u>
68,830	77,430	1,880
140,884	148,236	43,542
146,791	157,943	(603)
175,200	175,200	128,076
189,724	204,724	24,901
484,865	484,865	125,181
7,189,600	12,733,600	3,106,375
150,525	312,525	59,510
<u>8,546,419</u>	<u>14,294,523</u>	<u>3,488,862</u>
(3,954,444)	(8,909,548)	7,566,225
<u>4,550,000</u>	<u>10,000,000</u>	<u>7,836,783</u>
595,556	1,090,452	(270,558)
<u>778,356</u>	<u>778,356</u>	<u>17,578</u>
<u>\$1,373,912</u>	<u>\$1,868,808</u>	<u>\$ (252,980)</u>

See accompanying independent auditor's report.

City of Riverside
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$5,748,104. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation.

OTHER SUPPLEMENTARY INFORMATION

City of Riverside
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2007

	Special Revenue			Total
	Urban Renewal Tax Increment	Road Use Tax	Debt Service	
Receipts:				
TIF revenues	\$ 175,866	\$ -	\$ -	\$ 175,866
Intergovernmental	-	77,692	-	77,692
Use of money	1,379	-	-	1,379
Total receipts	<u>177,245</u>	<u>77,692</u>	<u>-</u>	<u>254,937</u>
Disbursements:				
Operating:				
Public works	-	38,480	-	38,480
Debt service	104,865	-	254,819	359,684
Total disbursements	<u>104,865</u>	<u>38,480</u>	<u>254,819</u>	<u>398,164</u>
(Deficiency) excess of receipts (Under) over disbursements	72,380	39,212	(254,819)	(143,227)
Other financing sources (uses)				
Operating transfers in	-	-	254,819	254,819
Total other financing sources	<u>-</u>	<u>-</u>	<u>254,819</u>	<u>254,819</u>
Net change in cash balances	72,380	39,212	-	111,592
Cash balances beginning of year	<u>209,588</u>	<u>83,133</u>	<u>-</u>	<u>292,721</u>
Cash balances end of year	<u>\$ 281,968</u>	<u>\$ 122,345</u>	<u>\$ -</u>	<u>\$ 404,313</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue fund	\$ 281,968	\$ 122,345	\$ -	\$ 404,313
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 281,968</u>	<u>\$ 122,345</u>	<u>\$ -</u>	<u>\$ 404,313</u>

See accompanying independent auditor's report.

City of Riverside
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2007

	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:		
Charges for service	\$ 19,778	\$ 19,778
Total receipts	<u>19,778</u>	<u>19,778</u>
Operating disbursements:		
Business type activities	<u>19,700</u>	<u>19,700</u>
Total disbursements	<u>19,700</u>	<u>19,700</u>
(Deficiency) excess of receipts		
(Under) over disbursements	78	78
Cash balances beginning of year	<u>1,352</u>	<u>1,352</u>
Cash balances end of year	<u>\$ 1,430</u>	<u>\$ 1,430</u>
Cash Basis Fund Balances		
Unreserved	<u>\$ 1,430</u>	<u>\$ 1,430</u>
Total cash basis fund balances	<u>\$ 1,430</u>	<u>\$ 1,430</u>

See accompanying independent auditor's report.

**City of Riverside
Schedule of Indebtedness
For the Year Ended June 30, 2007**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
TIF	December 1, 1997	4.1-5.25%	560,000
TIF	December 1, 2002	2.25-4.6%	365,000
Revenue Bond:			
Urban Renewal	December 1, 2006	4.8-5.1%	2,200,000
Total			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
255,000		45,000	210,000	13,123
270,000		35,000	235,000	11,342
-	<u>2,200,000</u>	<u>200,000</u>	<u>2,000,000</u>	<u>54,619</u>
<u>\$ 525,000</u>	<u>\$2,200,000</u>	<u>\$ 280,000</u>	<u>\$ 2,445,000</u>	<u>\$ 79,084</u>

See accompanying independent auditor's report.

City of Riverside
Bond and Note Maturities
For the Year Ended June 30, 2007

General Obligation Notes					
		TIF		TIF	
Year	Issued Dec 1, 1997		Issued Dec 1, 2002		
Ending	Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Total
2008	5.10%	50,000	3.70%	35,000	85,000
2009	5.15%	50,000	3.90%	35,000	85,000
2010	5.20%	55,000	4.10%	40,000	95,000
2011	5.25%	55,000	4.30%	40,000	95,000
2012			4.45%	40,000	40,000
2013			4.60%	45,000	45,000
Total		\$ 210,000		\$ 235,000	445,000

Revenue Bonds		
Corporate Purpose		
Year	Issued Dec 1, 2006	
Ending	Interest	
June 30,	Rates	Amount
2008	4.85%	295,000
2009	4.90%	310,000
2010	4.95%	325,000
2011	5.00%	340,000
2012	5.05%	355,000
2013	5.10%	375,000
Total		\$ 2,000,000

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council
Riverside, Iowa

I have audited the accompanying financial statements of the governmental activities, 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated October 15, 2007. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in the internal control that that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items 2007-I-A, 2007-I-B, and 2007-I-E are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Riverside's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that 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, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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 findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Riverside's responses and, accordingly, I express no opinion on them.

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

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

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
October 15, 2007

**City of Riverside
Schedule of Findings
For the Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

2007-I-A

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

1. Accounting system – performing all general accounting functions and custody of assets.
2. Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing, reconciling, and posting.
6. Utility receipts – billing, collecting, depositing, and posting.
7. Disbursements – check writing, reconciling, and posting.
8. Payroll – preparation, distribution, and posting.
9. Financial reporting – preparing, reconciling, and distributing.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will consider this.

Conclusion – Response accepted.

2007-I-B

Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

**City of Riverside
Schedule of Findings
For the Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES: (Continued)

2007-I-C

Written Accounting Procedures Manual – I encourage the development of an office procedures and standardized accounting manual for the City’s financial accounting system. This written manual should provide the following benefits:

1. Help in achieving uniformity in accounting and application of written policies and procedures.
2. Save supervisory time by recording decisions so that they will not have to be made each time the same or similar situation arises.
3. Aid in training additional or replacement personnel.

Recommendation – A written office procedures and standardized accounting manual should be prepared.

Response – A written office procedures and standardized accounting manual is in the process of being developed and implemented to increase effectiveness and efficiency.

Conclusion – Response accepted.

2007-I-D

Credit Cards – The city has credit cards available for use by city employees while on city business. The City has not adopted a formal written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of credit cards. The policy at a minimum should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We presently have unwritten guidelines, however, we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

**City of Riverside
Schedule of Findings
For the Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES: (Continued)

2007-I-E

Bank Reconciliations – The City prepared bank reconciliations monthly for each account. However, I noted one bank account where the reconciled balances were incorrect and did not agree with the general ledger balance. This problem was resolved during the course of the audit.

Recommendation – An independent person should review the bank reconciliations and document their review by initialing and dating the monthly reconciliations. Particular attention should be paid to the outstanding items listed on the reconciliation.

Response – We are implementing a new computer system which should help with this problem.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

2007-II-A

Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states in part that 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 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

2007-II-B

Questionable Disbursements – No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**City of Riverside
Schedule of Findings
For the Year Ended June 30, 2007**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2007-II-C

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

2007-II-D

Business Transactions – No business transactions between the City and City officials or employees were noted.

2007-II-E

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 insure that the coverage is adequate for current operations.

2007-II-F

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not published as required by Chapter 372.13(6) of the Code of Iowa. The published minutes did not include a list of all claims allowed, total disbursements by fund, and a summary of receipts. I did note these items were published separately from the minutes on a monthly basis. However, the Code of Iowa requires the previously mentioned items to be published within the minutes of the council meetings.

Recommendation – The city should publish minutes as required by the Code of Iowa.

Response – We will publish minutes as required.

Conclusion – Response accepted.

2007-II-G

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2007-II-H

Revenue Bonds/Notes – The City is in compliance with all requirements of the revenue bond and note resolutions.

**City of Riverside
Schedule of Findings
For the Year Ended June 30, 2007**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2007-II-I

Local Option Tax – The City recorded local option tax collections in the General Fund rather than establishing a separate Special Revenue Fund as required by the Code of Iowa.

Recommendation – The City should establish a separate Special Revenue Fund for local option tax revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

City of Riverside

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA

News Release

For Release:

Ann M. Menke, CPA, PC, of West Point, Iowa, today released an audit report for the fiscal year ended June 30, 2007, on the City of Riverside, Iowa.

Ann M. Menke, CPA reported that the City's receipts totaled \$11,625,555 for the year ended June 30, 2007, an 83% increase from the prior year. The receipts included \$145,588 in property tax, \$175,866 in TIF revenues, \$1,114,504 from charges for service, \$77,692 from operating grants, contributions, and restricted interest, \$7,677,761 from capital grants, contributions, and restricted interest, \$66,842 in unrestricted interest on investments, \$2,163,217 in bond proceeds, and \$204,085 in other general receipts.

Disbursements for the year totaled \$10,805,661 a 98.5% increase from the prior year, and included \$9,627,225 for capital projects, \$359,384 for debt service, and \$179,823 for general government. Also, disbursements for business type activities totaled \$253,015.

The significant increase in receipts and disbursements is due primarily to several large capital projects during the fiscal year.

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