

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**CITY OF RIVERSIDE**

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

**JUNE 30, 2011**

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PO Box 135 · 406 Avenue E  
West Point, Iowa 52656  
319-837-6042

3915 Main Street  
Keokuk, Iowa 52632  
319-524-1040

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	7
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	8
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	9
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	10
Notes to Financial Statements		11-19
Required Supplementary Information:		20
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		21
Notes to Required Supplementary Information – Budgetary Reporting		22
Other Supplementary Information:		23
	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds	1	24
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Proprietary Funds	2	25
Schedule of Indebtedness	3	26
Bond and Note Maturities	4	27
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 <u>Government Auditing Standards</u>		28-29
Schedule of Findings		30-36
Staff		37

## City of Riverside

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian McDole	Mayor	January 1, 2012
Rodney Waldschmidt	Council Member	January 1, 2012
Todd Yahnke	Council Member	January 1, 2012
Kevin Kiene	Council Member	January 1, 2014
Ralph Schnoebelen	Council Member	January 1, 2014
Chris Kirkwood	Council Member	January 1, 2012
Missy Carter	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

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

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, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Riverside as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 13, 2011 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have 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  
Certified Public Accountant  
Professional Corporation  
December 13, 2011

## **BASIC FINANCIAL STATEMENTS**

**City of Riverside**  
**Statement of Activities and Net Assets - Cash Basis**  
**For the Year Ended June 30, 2011**

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 146,142	\$ 31,418	\$ -	\$ -
Public works	526,507	6,759	91,115	-
Health and social services	-	-	-	-
Culture and recreation	136,655	1,239	-	-
Community and economic development	80,925	2,315	-	-
General government	254,298	-	-	-
Debt service	2,171,988	-	-	-
Capital projects	741,281	-	-	1,146,502
Total governmental activities	<u>4,057,796</u>	<u>41,731</u>	<u>91,115</u>	<u>1,146,502</u>
Business type activities				
Water	194,237	265,824	-	-
Sewer	182,201	227,544	-	-
Solid Waste	20,442	20,888	-	-
Total business type activities	<u>396,880</u>	<u>514,256</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,454,676</u>	<u>\$ 555,987</u>	<u>\$ 91,115</u>	<u>\$ 1,146,502</u>
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Cable TV franchise tax				
Gaming wager tax				
Hotel/motel tax				
Unrestricted interest on investments				
Bond proceeds				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Expendable:				
Street				
Urban renewal purposes				
Debt service				
Unrestricted				
<b>Total cash basis net assets</b>				

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (114,724)	\$ -	\$ (114,724)
(428,633)	-	(428,633)
-	-	-
(135,416)	-	(135,416)
(78,610)	-	(78,610)
(254,298)	-	(254,298)
(2,171,988)	-	(2,171,988)
405,221	-	405,221
<u>(2,778,448)</u>	<u>-</u>	<u>(2,778,448)</u>
-	71,587	71,587
-	45,343	45,343
-	446	446
-	<u>117,376</u>	<u>117,376</u>
<u>(2,778,448)</u>	<u>117,376</u>	<u>(2,661,072)</u>
103,573	-	103,573
339,320	-	339,320
74,892	-	74,892
1,800	-	1,800
435,079	-	435,079
208,918	-	208,918
43,296	-	43,296
985,000	-	985,000
<u>(48,065)</u>	<u>48,065</u>	<u>-</u>
2,143,813	48,065	2,191,878
(634,635)	165,441	(469,194)
2,284,808	<u>521,379</u>	2,806,187
<u>\$ 1,650,173</u>	<u>\$ 686,820</u>	<u>\$ 2,336,993</u>
\$ 170,172	\$ -	\$ 170,172
117,367	-	117,367
273,500	-	273,500
<u>1,089,134</u>	<u>686,820</u>	<u>1,775,954</u>
<u>\$ 1,650,173</u>	<u>\$ 686,820</u>	<u>\$ 2,336,993</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, 2011**

	General	Casino Revenue	Other Non Major Governmental Funds	Total
<b>Receipts:</b>				
Property tax	\$ 103,573	\$ -	\$ -	\$ 103,573
TIF revenues	-	-	339,320	339,320
Other city taxes	643,997	-	74,892	718,889
Licenses and permits	6,760	-	-	6,760
Use of money and property	45,282	-	1,053	46,335
Intergovernmental	-	-	91,115	91,115
Charges for services	601	-	-	601
Miscellaneous	129,418	1,050,216	-	1,179,634
Total receipts	<u>929,631</u>	<u>1,050,216</u>	<u>506,380</u>	<u>2,486,227</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	146,142	-	-	146,142
Public works	458,459	-	68,048	526,507
Culture and recreation	136,655	-	-	136,655
Community and economic development	80,925	-	-	80,925
General government	243,797	10,501	-	254,298
Debt service	-	1,833,732	338,256	2,171,988
Capital projects	-	-	741,281	741,281
Total disbursements	<u>1,065,978</u>	<u>1,844,233</u>	<u>1,147,585</u>	<u>4,057,796</u>
(Deficiency) excess of receipts (Under) over disbursements	(136,347)	(794,017)	(641,205)	(1,571,569)
<b>Other financing sources (uses)</b>				
Bond proceeds	-	985,000	-	985,000
Operating transfers in	32,043	-	950,269	982,312
Operating transfers out	(741,281)	-	(289,097)	(1,030,378)
Total other financing sources	<u>(709,238)</u>	<u>985,000</u>	<u>661,172</u>	<u>936,934</u>
Net change in cash balances	(845,585)	190,983	19,967	(634,635)
Cash balances beginning of year	<u>1,898,289</u>	<u>98,500</u>	<u>288,019</u>	<u>2,284,808</u>
Cash balances end of year	<u>\$ 1,052,704</u>	<u>\$ 289,483</u>	<u>\$ 307,986</u>	<u>\$ 1,650,173</u>
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Urban renewal purposes	\$ -	\$ 15,983	\$ 101,384	\$ 117,367
Debt service	-	273,500	-	273,500
Streets	-	-	170,172	170,172
Unassigned	<u>1,052,704</u>	<u>-</u>	<u>36,430</u>	<u>1,089,134</u>
Total cash basis fund balances	<u>\$ 1,052,704</u>	<u>\$ 289,483</u>	<u>\$ 307,986</u>	<u>\$ 1,650,173</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, 2011**

	Enterprise Funds			Total
	Water	Sewer	Other Non Major Proprietary Funds	
Operating receipts:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	265,824	227,544	20,888	514,256
Total receipts	<u>265,824</u>	<u>227,544</u>	<u>20,888</u>	<u>514,256</u>
Operating disbursements:				
Business type activities	194,237	182,201	20,442	396,880
Total operating disbursements	<u>194,237</u>	<u>182,201</u>	<u>20,442</u>	<u>396,880</u>
Excess (deficiency) of operating receipts (under) over operating disbursements	71,587	45,343	446	117,376
Other financing sources (uses)				
Operating transfers in	14,822	48,065	-	62,887
Operating transfers out	-	(14,822)	-	(14,822)
Net non-operating receipts (disbursements)	<u>14,822</u>	<u>33,243</u>	<u>-</u>	<u>48,065</u>
Net change in cash balances	86,409	78,586	446	165,441
Cash balances beginning of year	<u>351,988</u>	<u>168,668</u>	<u>723</u>	<u>521,379</u>
Cash balances end of year	<u>\$ 438,397</u>	<u>\$ 247,254</u>	<u>\$ 1,169</u>	<u>\$ 686,820</u>
<b>Cash Basis Fund Balances</b>				
Unrestricted	<u>438,397</u>	<u>247,254</u>	<u>\$ 1,169</u>	<u>\$ 686,820</u>
Total cash basis fund balances	<u>\$ 438,397</u>	<u>\$ 247,254</u>	<u>\$ 1,169</u>	<u>\$ 686,820</u>

See notes to financial statements.

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**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.

**A. Reporting Entity**

For financial reporting purposes, the City of Riverside has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City 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 the following categories/components:

*Nonexpendable Restricted Net Assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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 funds or nonmajor 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Casino Revenue Fund is used to account for the contributions from the Riverside Casino and Golf Resort and the repayment of casino revenue indebtedness.

The City reports the following major proprietary funds:

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

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

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

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

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

D. Governmental Cash Basis Fund Balances:

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

**City of Riverside  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Budgets and Budgetary Accounting

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

**NOTE 2 – CASH AND POOLED INVESTMENTS**

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

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

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) to 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.

**NOTE 3 - BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for the general obligation bond and urban renewal refunding revenue bond are as follows:

Year Ending June 30,	General Obligation Bond		Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 195,000	\$ 16,295	\$ 370,000	\$ 9,730	\$ 565,000	\$ 26,025
2013	<u>200,000</u>	<u>8,300</u>	<u>260,000</u>	<u>4,550</u>	<u>460,000</u>	<u>12,850</u>
Total	<u>\$ 395,000</u>	<u>\$ 24,595</u>	<u>\$ 630,000</u>	<u>\$ 14,280</u>	<u>\$ 1,025,000</u>	<u>\$ 38,875</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$125,000 of general obligation principal and \$4,268 of general obligation interest was paid from the Urban Renewal Tax Increment Fund during the year ended June 30, 2011.

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 3 - BONDS AND NOTES PAYABLE (Continued)**

Urban Renewal Casino Revenue Refunding Bonds

On February 15, 2011, the City issued \$985,000 urban renewal revenue refunding bonds, Series 2011. The bonds were issued as a current refunding to retire the outstanding balance of the \$1,070,000 urban renewal revenue bonds, issued December 1, 2006.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$21,521.

The City has pledged future casino revenue receipts to repay the urban renewal revenue refunding bonds. These bonds were issued for the purpose of paying the costs of construction of sanitary sewer system and waterworks system improvements and extensions.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a. The City shall deposit all of the casino contributions it receives, after setting aside the first \$175,000 it receives each fiscal year in order to make the required payment to Washington County, in the Casino Contributions Revenue Fund. These revenues shall only be disbursed to other funds pursuant to the bond resolution.
- b. Sufficient monthly transfers shall be made to the Urban Renewal Revenue Bond Sinking Fund for the purpose of making the bond principal and interest payments when due.
- c. The City shall maintain a Reserve Fund in the amount of \$98,500. These funds may only be used if the funds on deposit in the Sinking Fund are insufficient to pay principal and interest on the refunding bonds. Whenever the Reserve Fund balance has been reduced to less than \$98,500, there shall be deposited monthly into the Reserve Fund an amount equal to 25% of the amounts being paid into the Sinking Fund, after the required deposits to the Sinking Fund are made, until the sum in the Reserve Fund is restored to the required reserve fund balance of \$98,500.
- d. All funds remaining in the Casino Revenue Fund after making the required payments to the Sinking Fund and Reserve Fund shall be transferred to the Surplus Fund. All money credited to the Surplus Fund may be transferred and credited to the Sinking Fund or Reserve Fund when necessary. As long as the Sinking Fund and Reserve Fund have the full amounts necessary to be deposited therein, any balance in the Surplus Fund may be used by the City for any lawful urban renewal purpose as authorized under Chapter 403 of the Code of Iowa and the urban renewal plan for the Urban Renewal Area.

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 4 – PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$16,850, equal to the required contribution for the year.

**NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$450 for single coverage and \$1,126 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$35,792 and plan members eligible for benefits contributed \$3,322 to the plan.

**City of Riverside  
Notes to Financial Statements  
For the Year Ended June 30, 2011**

**NOTE 6 – COMPENSATED ABSENCES**

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

Type of Benefit	Amount
Vacation	\$ 14,840
Sick leave	<u>39,625</u>
Total	<u>\$ 54,465</u>

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

**NOTE 7 – 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 8 – INTERFUND TRANSFERS**

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

Transfer to	Transfer from	Amount
Capital Projects	General Fund	\$ 741,281
Water Fund	Sewer Fund	14,822
General Fund	Local Option Tax	32,044
Sewer Fund	Local Option Tax	48,065
Debt Service Fund	Urban Renewal Tax Increment Fund	<u>208,987</u>
Total		<u>\$1,045,199</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, 2011**

**NOTE 9 – COMMITMENTS**

The City of Riverside has outstanding construction commitments at June 30, 2011 of approximately \$108,000 which will be paid as work on the projects progresses. These projects will be funded with 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 \$40,148 for the year ending June 30, 2012.

The City of Riverside entered into a contract with the Riverside Community Fire Department for fire protection. The Fire Department, will supply fire protection to the City at a cost of \$16,898 for the year ending June 30, 2012.

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 \$13,028 for the year ending June 30, 2012.

The City of Riverside entered into a contract with Washington County Communications Commission for communications services. The Washington County Communications Commission will provide communications services to the City at a cost of \$35,907 for the year ending June 30, 2012.

**NOTE 10 – 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 began on July 1, 2008 and continue annually until July 1, 2017.

**City of Riverside**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 11 – CASINO REVENUES**

The City of Riverside entered into an eight year agreement with Riverside Casino and Golf Resort that commenced operations on April 28, 2005 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. The annual fee is reduced by the hotel/motel tax and gaming wager tax that is received by the City of Riverside, both of which are paid by the Riverside Casino and Golf Resort.

**NOTE 12 – INTERFUND LOANS**

The City of Riverside's Water Fund loaned money to the Sewer Fund in 2005 in the amount of \$178,590. These funds are being repaid to the Water Fund by the Sewer Fund annually by fund transfers. The current year fund transfer was \$14,822. The remaining unpaid balance at June 30, 2011 is \$74,836. The payment schedule is described below:

Year Ended June 30,	Amount
2012	\$14,822
2013	14,822
2014	14,822
2015	14,822
2016	<u>15,548</u>
Total	<u>\$74,836</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The City of Riverside entered into a construction contract with Streb Construction on July 5, 2011 for construction of the Highway 22 Turn Lane project in the amount of \$889,391. This project is to be financed with funds on hand.

Management has evaluated subsequent events through December 13, 2011, the date which the financial statements were available for issue.

**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, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts</b>			
Property tax	\$ 103,573	\$ -	\$ 103,573
Tax increment financing collections	339,320	-	339,320
Other city taxes	718,889	-	718,889
Licenses and permits	6,760	-	6,760
Use of money and property	46,335	-	46,335
Intergovernmental	91,115	-	91,115
Charges for services	601	514,256	514,857
Special assessments	-	-	-
Miscellaneous	1,179,634	-	1,179,634
Total receipts	<u>2,486,227</u>	<u>514,256</u>	<u>3,000,483</u>
<b>Disbursements</b>			
Public safety	146,142	-	146,142
Public works	526,507	-	526,507
Culture and recreation	136,655	-	136,655
Community and economic development	80,925	-	80,925
General government	254,298	-	254,298
Debt service	2,171,988	-	2,171,988
Capital projects	741,281	-	741,281
Business type activities	-	396,880	396,880
Total disbursements	<u>4,057,796</u>	<u>396,880</u>	<u>4,454,676</u>
Excess of receipts over disbursements	(1,571,569)	117,376	(1,454,193)
Other financing sources, net	<u>936,934</u>	<u>48,065</u>	<u>984,999</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(634,635)	165,441	(469,194)
Balance, beginning of year	<u>2,284,808</u>	<u>521,379</u>	<u>2,806,187</u>
Balance, end of year	<u>\$ 1,650,173</u>	<u>\$ 686,820</u>	<u>\$ 2,336,993</u>

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 99,272	\$ 99,272	\$ 4,301
341,700	341,700	(2,380)
1,783,886	1,783,886	(1,064,997)
37,200	37,200	(30,440)
46,750	46,750	(415)
609,000	609,000	(517,885)
575,025	575,025	(60,168)
200	200	(200)
-	-	1,179,634
<u>3,493,033</u>	<u>3,493,033</u>	<u>(492,550)</u>
176,192	176,592	30,450
413,163	608,163	81,656
248,791	248,791	112,136
584,088	702,373	621,448
855,791	1,258,791	1,004,493
-	-	(2,171,988)
1,269,557	1,816,582	1,075,301
566,649	566,649	169,769
<u>4,114,231</u>	<u>5,377,941</u>	<u>923,265</u>
(621,198)	(1,884,908)	430,715
-	151,403	(833,596)
(621,198)	(1,733,505)	1,264,311
<u>2,655,755</u>	<u>2,655,755</u>	<u>150,432</u>
<u>\$2,034,557</u>	<u>\$ 922,250</u>	<u>\$1,414,743</u>

See accompanying independent auditor's report.

**City of Riverside**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2011**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. 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 Funds, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,263,710. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

**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, 2011**

	Special Revenue					Total
	Urban Renewal Tax Increment	Local Option Tax	Road Use Tax	Capital Projects	Debt Service	
<b>Receipts:</b>						
TIF revenues	\$ 339,320	\$ -	\$ -	\$ -	\$ -	\$ 339,320
Other city tax	-	74,892	-	-	-	74,892
Intergovernmental	-	-	91,115	-	-	91,115
Use of money	898	-	-	155	-	1,053
Total receipts	<u>340,218</u>	<u>74,892</u>	<u>91,115</u>	<u>155</u>	<u>-</u>	<u>506,380</u>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public works	-	-	68,048	-	-	68,048
Debt service	129,268	-	-	-	208,988	338,256
Capital projects	-	-	-	741,281	-	741,281
Total disbursements	<u>129,268</u>	<u>-</u>	<u>68,048</u>	<u>741,281</u>	<u>208,988</u>	<u>1,147,585</u>
(Deficiency) excess of receipts (Under) over disbursements	210,950	74,892	23,067	(741,126)	(208,988)	(641,205)
<b>Other financing sources (uses)</b>						
Operating transfers in	-	-	-	741,281	208,988	950,269
Operating transfers out	(208,988)	(80,109)	-	-	-	(289,097)
Total other financing sources	<u>(208,988)</u>	<u>(80,109)</u>	<u>-</u>	<u>741,281</u>	<u>208,988</u>	<u>661,172</u>
Net change in cash balances	1,962	(5,217)	23,067	155	-	19,967
Cash balances beginning of year	99,422	5,217	147,105	36,275	-	288,019
Cash balances end of year	<u>\$ 101,384</u>	<u>\$ -</u>	<u>\$ 170,172</u>	<u>\$ 36,430</u>	<u>\$ -</u>	<u>\$ 307,986</u>
<b>Cash Basis Fund Balances</b>						
<b>Restricted for:</b>						
Urban renewal	\$ 101,384	\$ -	\$ -	\$ -	\$ -	\$ 101,384
Debt service	-	-	-	-	-	-
Streets	-	-	170,172	-	-	170,172
Unassigned	-	-	-	36,430	-	36,430
Total cash basis fund balances	<u>\$ 101,384</u>	<u>\$ -</u>	<u>\$ 170,172</u>	<u>\$ 36,430</u>	<u>\$ -</u>	<u>\$ 307,986</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, 2011**

	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:		
Charges for service	\$ 20,888	\$ 20,888
Total receipts	<u>20,888</u>	<u>20,888</u>
Operating disbursements:		
Business type activities	20,442	20,442
Total disbursements	<u>20,442</u>	<u>20,442</u>
(Deficiency) excess of receipts		
(Under) over disbursements	446	446
Cash balances beginning of year	<u>723</u>	<u>723</u>
Cash balances end of year	<u>\$ 1,169</u>	<u>\$ 1,169</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 1,169</u>	<u>\$ 1,169</u>
Total cash basis fund balances	<u>\$ 1,169</u>	<u>\$ 1,169</u>

See accompanying independent auditor's report.

**City of Riverside  
Schedule of Indebtedness  
For the Year Ended June 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General Obligation Bonds/Notes:</b>			
Urban Renewal Fire Station Bonds	July 15, 2007	3.9-4.15%	\$ 1,100,000
TIF Corporate Purpose Notes	December 1, 2002	3.0-4.6%	365,000
<b>Revenue Bonds:</b>			
Urban Renewal Revenue Bond	December 1, 2006	4.8-5.1%	2,200,000
Urban Renewal Revenue Refunding Bond	February 15, 2011	1.0-1.75%	985,000
<b>Other:</b>			
Infrastructure Finance and Development Agreement	July 1, 2008	0.00%	1,750,000
<b>Total</b>			

<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>
\$ 580,000	\$ -	\$ 185,000	\$ 395,000	\$ 24,238
125,000	-	125,000	-	4,018
1,070,000	-	1,070,000	-	38,612
-	985,000	355,000	630,000	4,360
<u>1,575,000</u>	<u>-</u>	<u>350,000</u>	<u>1,225,000</u>	<u>-</u>
<u>\$ 3,350,000</u>	<u>\$ 985,000</u>	<u>\$ 2,085,000</u>	<u>\$ 2,250,000</u>	<u>\$ 71,228</u>

See accompanying independent auditor's report.

**City of Riverside**  
**Bond and Note Maturities**  
**For the Year Ended June 30, 2011**

General Obligation Bonds  
Urban Renewal Fire Station  
Issued Jul 15, 2007

Year Ending June 30,	Interest Rates	Amount
2012	4.10%	\$ 195,000
2013	4.15%	200,000
Total		<u>\$ 395,000</u>

Revenue Bonds  
Urban Renewal Refunding  
Issued Feb 15, 2011

Year Ending June 30,	Interest Rates	Amount
2012	1.40%	\$ 370,000
2013	1.75%	260,000
Total		<u>\$ 630,000</u>

See accompanying independent auditor's report.



*Ann M. Menke*

Certified Public Accountant  
A Professional Corporation

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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  
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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 13, 2011. 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, 2010. 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, but not for the purpose of expressing an 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 control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Riverside's financial statements will not be prevented or detected and corrected on a timely basis.

I consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2011-I-B to be a material weakness.

A significant deficiency is a deficiency, or 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. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2011-I-A to be a significant deficiency.

#### 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.

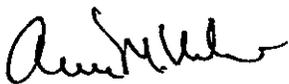
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions 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  
Certified Public Accountant  
December 13, 2011

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2011-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.

2011-I-B

Financial Reporting – During the audit, I identified material receipts and disbursements coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts and disbursements.

Response – All receipts and disbursements will be recorded properly.

Conclusion – Response accepted.

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Findings Related to Statutory Reporting:**

2011-II-A

Certified Budget – Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the debt service 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 384.18 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.

2011-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.

2011-II-C

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

2011-II-D

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

Name, Title, Business Connection	Transaction Description	Amount
Kevin Kiene, Council Member, Part-owner of Latta & Kiene	Parts and Supplies	\$680
Ralph Schnoebelen, Council Member, Owner of Schnoebelen, Inc.	Parts and Supplies	\$488

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part II: Findings Related to Statutory Reporting: (Continued)**

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

2011-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.

2011-II-F

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not. Although the City did publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978, the published salaries were not the gross salaries.

Recommendation – The city should publish the annual individual gross salaries as required. This would be the amount of pay prior to deductions for all taxes, IPERS, insurance, and any other deductions.

Response – We will publish salaries as required.

Conclusion – Response accepted.

2011-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. However, I did note that three Certificates of Deposit were paid at interest rates lower than the statutory minimum rates established by the State Rate Setting Committee.

Recommendation – The city should contact its bank to change the rates on the three certificates of deposit so they are compliant with the statutory minimum rates established by the State Rate Setting Committee.

Response – We will contact our bank to correct this.

Conclusion – Response accepted.

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part II: Findings Related to Statutory Reporting: (Continued)**

2011-II-H

Revenue Bonds – The City has not established the Sinking Fund as required by the Urban Renewal Revenue Refunding Bond, Series 2011 bond resolution. In addition, the bond resolution restricts the use of casino revenue funds to any lawful urban renewal purpose as authorized under Chapter 403 of the Code of Iowa and the urban renewal plan for the Urban Renewal Area. The City was not aware of this restriction.

Recommendation – The city should setup and transfer funds to the Sinking Fund as required by the revenue bond resolution. The city should consult bond counsel to amend the bond resolution to remove the restriction on the use of the excess casino revenue funds.

Response – We setup the Sinking Fund in October 2011 and are making the required transfers now. We have amended our bond resolution to remove the restriction in November 2011.

Conclusion – Response accepted.

2011-II-I

Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Urban Renewal Tax Increment Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The city should transfer from the Urban Renewal Tax Increment Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

2011-II-J

Water and Sewer Rate Ordinances– The City’s water and sewer rate ordinances do not clearly state how charges for more than 100,000 gallons of water and more than 50,000 gallons of sewer are to be calculated.

Recommendation – The city revise its ordinance for clarity purposes.

Response – We will revise our ordinances.

Conclusion – Response accepted.

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part II: Findings Related to Statutory Reporting: (Continued)**

2011-II-K

Construction Pay Estimates– I noted two instances where invoices were not cancelled on construction pay estimates.

Recommendation – The city should cancel all invoices when paid to avoid potential duplicate payment of invoices.

Response – We will cancel all invoices.

Conclusion – Response accepted.

2011-II-L

Employee Handbook– The City has not followed the employee benefit policies as stated in its most recently adopted employee handbook from 2007. The handbook does not address whether sick time is to be paid when an employee terminates employment with the City. In addition, the handbook states that employees can only carry over a maximum of 80 hours of vacation time each year and that personal days are to be used by the next anniversary date. Council approved payouts to two former employees of their accrued vacation and sick time. The vacation time paid exceeded the amount that should have been accrued according to the handbook. One employee was also paid 74.5 hours accrued personal time with Council approval.

Recommendation – The City should revise its employee handbook to specifically state if accrued sick time is to be paid upon termination or not. In addition, the City should either revise its vacation and personal time policies or follow the policies that are currently in place. While Council can override a policy in the employee handbook, it is not considered a good business practice to continually do so. Council should consult legal counsel to determine the disposition of this matter.

Response – We will revise our employee handbook in the near future and consult legal counsel.

Conclusion – Response accepted.

2011-II-M

Customer Deposit Refunds– The City has not issued refunds for water and sewer deposits in a timely manner. I noted instances where customers were eligible for refunds but were not issued refunds until as late as six months later.

Recommendation – The City should develop a system to ensure customer deposits are returned in a more timely manner, such as within thirty days of becoming eligible for a refund.

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part II: Findings Related to Statutory Reporting: (Continued)**

Response – We will consider this.

Conclusion – Response accepted.

2011-II-N

Prepayment of Invoices Policy– I noted there was a resolution passed in 1995 which allows prepayment of “standard” bills by the city clerk prior to council meeting approval. However, the resolution does not define what a standard bill is.

Recommendation – The city should formally address which bills may be paid by the city clerk prior to council approval.

Response – We will consider this.

Conclusion – Response accepted.

2011-II-O

Tax Increment Financing (TIF) Indebtedness Certification and Disbursements– Chapter 403.19 of the Code of Iowa provides a municipality shall certify loans, advances, indebtedness and bonds to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

During the course of the audit I noted TIF payments to the City by Washington County that were in excess of the certified TIF indebtedness by \$1,319,064. These payments began in 1995. I also noted that the certified indebtedness does not include any interest for the three certified debt issues. A preliminary review of the City’s records shows that TIF funds appear to have been used to pay project costs, which were not certified as TIF indebtedness.

Recommendation – The city should work with TIF counsel, the County Auditor, and County Attorney to determine final disposition of this matter. If excess funds were in fact received, they will need to be returned to the County Auditor for redistribution to all taxing authorities in the district.

Response – We will work with TIF counsel, the County Auditor, and County Attorney as requested to resolve this matter.

Conclusion – Response accepted.

**City of Riverside  
Schedule of Findings  
For the Year Ended June 30, 2011**

**Part II: Findings Related to Statutory Reporting: (Continued)**

2011-II-P

Petition for Audit– Except as noted, all items included in the petition for audit have been resolved.

**City of Riverside**

**Audit Staff**

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kristy Adams, Staff Auditor

Toni Ramsey, Staff Auditor

