



Dave Yost • Auditor of State

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountant's Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets – December 31, 2011 | 9 |
| Statement of Activities – For the Year Ended December 31, 2011 | 10 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds – December 31, 2011 | 12 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2011 | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Year Ended December 31, 2011 | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2011 | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund For the Year Ended December 31, 2011 | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Fund For the Year Ended December 31, 2011 | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street / Public Service Fund For the Year Ended December 31, 2011 | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Fund For the Year Ended December 31, 2011 | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – DAP Facility Fund For the Year Ended December 31, 2011 | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Assessments Fund For the Year Ended December 31, 2011 | 24 |

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**TABLE OF CONTENTS
(Continued)**

| TITLE | PAGE |
|---|-------------|
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police & Fire Income Tax Fund For the Year Ended December 31, 2011 | 25 |
| Notes to the Basic Financial Statements | 27 |
| Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required By <i>Government Auditing Standards</i> | 57 |
| Schedule of Findings..... | 59 |
| Schedule of Prior Audit Findings..... | 61 |



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Riverside
Montgomery County
1791 Harshman Road
Riverside, Ohio 45424

To the Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Fire Fund, Street/Public Service Fund, Police Fund, DAP Facility Fund, General Assessments Fund, and the Police & Fire Income Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, during 2011 the City of Riverside adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated fund balances and net assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 26, 2012

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The discussion and analysis of the City of Riverside's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's governmental net assets increased \$765,270 as a result of the City monitoring its expenses more closely in 2011.
- General revenues of governmental activities accounted for \$7,768,308 of all governmental revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$4,008,707 of total governmental revenues of \$11,777,015.
- The City had \$11,011,745 in expenses related to governmental activities; only \$4,008,707 of these expenses were offset by program specific charges for services and sales and grants and contributions.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Riverside's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City as a Whole

One of the most important questions asked about the City is "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it informs the reader that, for the City as a whole, the financial position of the City has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

In the Statement of Net Assets and the Statement of Activities, the City has only one kind of activity:

Governmental Activities – All of the City's services are reported here including general government, security of persons and property, public health services, leisure time activities, community and economic development, and transportation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page seven. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City uses many funds to account for a multitude of financial transactions. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City's major funds are the General Fund, the Fire Fund, the Street / Public Service Fund, the Police Fund, the DAP Facility Fund, the General Assessments Fund, and the Police and Fire Income Tax Fund.

Governmental Funds

Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The City's only fiduciary fund is an agency fund. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. There were no balances at the end of the year for the City's agency fund; therefore, no fiduciary statements are presented.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

The City as a Whole

As stated previously, the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2011.

**Table 1
Net Assets**

| | Governmental Activities | | |
|---|--------------------------------|---------------------|--------------------------------|
| | Restated 2010 | 2011 | Increase (Decrease) |
| Assets: | | | |
| Current and Other Assets | \$14,593,073 | \$15,370,408 | \$ 777,335 |
| Non-depreciable Capital Assets | 2,776,614 | 2,769,404 | (7,210) |
| Depreciable Capital Assets, Net | 7,512,202 | 7,014,756 | (497,446) |
| Total Assets | <u>24,881,889</u> | <u>25,154,568</u> | <u>272,679</u> |
| Liabilities: | | | |
| Current and Other Liabilities | 2,986,956 | 2,800,182 | (186,774) |
| Long-Term Liabilities: | | | |
| Due Within One Year | 466,230 | 474,505 | 8,275 |
| Due in More Than One Year | 2,074,390 | 1,760,298 | (314,092) |
| Total Liabilities | <u>5,527,576</u> | <u>5,034,985</u> | <u>(492,591)</u> |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | 7,896,912 | 7,672,944 | (223,968) |
| Restricted | 3,220,625 | 2,956,067 | (264,558) |
| Unrestricted | 8,236,776 | 9,490,572 | 1,253,796 |
| Total Net Assets | <u>\$19,354,313</u> | <u>\$20,119,583</u> | <u>\$ 765,270</u> |

Total assets increased \$272,679 compared to 2010, more specifically an increase in equity in pooled cash and cash equivalents. Equity in pooled cash and cash equivalents increased primarily due to the City monitoring its expenses more closely. Capital assets demonstrated a decrease of \$504,656 due to current year depreciation and deletions exceeding current year additions.

Current and other liabilities decreased \$186,774. This was due to decreases in accounts and intergovernmental payables as a result of the City having fewer unpaid obligations existing at year-end 2011 than it had in the prior year. Long-term liabilities decreased \$305,817 due to principal and interest payments made on the City's debt.

Invested in capital assets, net of related debt decreased \$223,968 primarily from current year depreciation and deletions exceeding current year additions. Restricted net assets decreased as a result of the City utilizing its resources to fund public safety and other City operations during the year. Unrestricted net assets increased \$1,253,796 from 2010. This increase was the result of the City monitoring its expenses more closely.

Table 2 shows the changes in net assets for the year ended December 31, 2010 and 2011.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Assets**

| | Governmental Activities | | Increase (Decrease) |
|--|--------------------------------|---------------------|--------------------------------|
| | Restated 2010 | 2011 | |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 1,997,051 | \$ 2,166,077 | \$ 169,026 |
| Operating Grants and Contributions | 3,869,826 | 1,803,861 | (2,065,965) |
| Capital Grants and Contributions | 87,000 | 38,769 | (48,231) |
| Total Program Revenues | <u>5,953,877</u> | <u>4,008,707</u> | <u>(1,945,170)</u> |
| General Revenues: | | | |
| Property Taxes | 2,242,181 | 2,372,891 | 130,710 |
| Income Taxes | 3,801,793 | 4,055,793 | 254,000 |
| Other Local Taxes | 254,797 | 266,676 | 11,879 |
| Revenue In Lieu of Taxes | 87,785 | 50,652 | (37,133) |
| Grants and Entitlements not Restricted to Specific Programs | 721,433 | 946,817 | 225,384 |
| Interest | 27,945 | 13,429 | (14,516) |
| Miscellaneous | 192,812 | 62,050 | (130,762) |
| Total General Revenues | <u>7,328,746</u> | <u>7,768,308</u> | <u>439,562</u> |
| Total Revenues | <u>13,282,623</u> | <u>11,777,015</u> | <u>(1,526,610)</u> |
| Program Expenses: | | | |
| General Government | 2,392,029 | 2,133,452 | (258,577) |
| Security of Persons and Property | 6,409,554 | 6,216,410 | (193,144) |
| Public Health Services | 3,301 | 4,140 | 839 |
| Leisure Time Activities | 17,086 | 61,549 | 44,463 |
| Community and Economic Development | 254,906 | 525,722 | 270,816 |
| Transportation | 1,758,030 | 1,975,928 | 217,898 |
| Interest and Fiscal Charges | 95,746 | 94,544 | (1,202) |
| Total Expenses | <u>10,930,652</u> | <u>11,011,745</u> | <u>81,093</u> |
| Change in Net Assets | 2,351,971 | 765,270 | (1,586,701) |
| Net Assets at Beginning of Year | <u>17,002,342</u> | <u>19,354,313</u> | <u>2,351,971</u> |
| Net Assets at End of Year | <u>\$19,354,313</u> | <u>\$20,119,583</u> | <u>\$ 765,270</u> |

Governmental Activities

Program revenues are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues.

Operating grants and contributions decreased significantly when compared to the prior year due to a decrease in grant monies related to various projects.

The 1.5 percent income tax is the largest source of revenue for the City of Riverside. The increase in income tax revenues is due to the steady turnaround in the economy.

Overall, expenses increased \$81,093 during 2011, which is insignificant in comparison to the City's budget.

Governmental program expenses as a percentage of total governmental expenses for 2011 are expressed as follows:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

| | |
|------------------------------------|----------------|
| General Government | 19.37% |
| Security of Persons and Property | 56.46% |
| Public Health Services | 0.04% |
| Leisure Time Activities | 0.56% |
| Community and Economic Development | 4.77% |
| Transportation | 17.94% |
| Interest and Fiscal Charges | 0.86% |
| | <u>100.00%</u> |

The above table clearly indicates the City's major source of expenses, 56.46 percent, is related to the implementation of safety services. A distant second, 19.37 percent, are general government related expenditures for the City. All other forms of governmental operations represent 24.17 percent of expenses.

The City's Funds

Information about the City's funds starts on page 12 with the focus being on the major funds.

All governmental funds had total revenues of \$11,794,674 and total expenditures of \$10,843,444 at year-end.

Fund balance in the General Fund increased \$1,300,981 for 2011. The increase in fund balance was the direct result of the City not having to transfer significant monies to support other operations of the City – primarily the police, fire and street departments. Through closely monitoring budgets, the City has been able to maintain a fund balance of \$8,471,946.

The Fire Fund's balance decreased \$196,434. This fund generates revenues mostly through a property tax levy and charges for ambulance runs. This revenue is not enough to cover expenditures. Therefore, the General Fund has subsidized this fund through transfers in the amount of \$681,923 for 2011.

The Street / Public Service Fund's balance increased \$2,800, which is insignificant.

The Police Fund had a decrease in fund balance of \$206,003. The General Fund and the Police and Fire Income Tax Fund transferred money to subsidize this fund.

The DAP Facility Fund's balance increased \$51,361, mostly the result of transfers from the General Fund.

The General Assessments Fund accounts for trash billing collections and special assessments to provide street lighting within the City. The fund balance increased \$79,822. The City sets rates to coincide with anticipated expenditures associated with trash collections and street lighting services. The current rates were sufficient to cover the costs related to trash collections.

The Police and Fire Income Tax Fund accounts for income tax money received to assist in paying for the pension costs for the police and firefighters. The fund balance decreased \$451, which is insignificant.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The City's budget is adopted on an object basis.

General Fund original and final budgeted revenues totaled \$4,248,434. Actual revenues of \$4,468,602 were more than final budgeted amounts by \$220,168. This increase was the result of the City receiving miscellaneous grant revenue during the year but not adjusting its budget for such amounts.

The increase in appropriations from the original to the final budget was \$201,550 and was the result of the City increasing its budget for anticipated general government operating expenses during the year. Actual expenditures of \$1,541,457 were \$197,687 less than final budgeted expenditures of \$1,739,144. This decrease was primarily due to the City closely monitoring the expenditures relating to general government activities.

The City's ending unobligated cash balance for the General Fund was \$803,858 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the City had \$9,784,160 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$504,656 from the prior year. The decrease can be attributed to current year depreciation and deletions exceeding current year additions.

See Note 9 of the Notes to the Basic Financial Statements for more detailed information.

Debt

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$2,000,087 and an OWDA Loan in the amount of \$21,836. The City's long-term obligations also included capital leases and compensated absences for governmental activities.

See Notes 13 and 14 of the Notes to the Basic Financial Statements for more detailed information on the City's debt.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Interim Finance Director, Tom Garrett, at 1791 Harshman Road, Riverside, Ohio 45424.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$9,837,111 |
| Cash and Cash Equivalents with Fiscal Agents | 278,856 |
| Accounts Receivable | 526,426 |
| Accrued Interest Receivable | 12,171 |
| Intergovernmental Receivable | 999,070 |
| Income Taxes Receivable | 1,188,342 |
| Property Taxes Receivable | 2,134,256 |
| Other Local Taxes Receivable | 66,766 |
| Revenue in Lieu of Taxes Receivable | 194,633 |
| Special Assessments Receivable | 22,836 |
| Assets Held for Resale | 109,941 |
| Capital Assets: | |
| Non-depreciable Capital Assets | 2,769,404 |
| Depreciable Capital Assets, Net | 7,014,756 |
| Total Assets | 25,154,568 |
| Liabilities: | |
| Accounts Payable | 118,990 |
| Contracts Payable | 35,336 |
| Accrued Wages and Benefits Payable | 99,940 |
| Intergovernmental Payable | 516,126 |
| Deferred Revenue | 2,003,217 |
| Accrued Vacation Leave Payable | 16,856 |
| Accrued Interest Payable | 9,717 |
| Long-Term Liabilities: | |
| Due Within One Year | 474,505 |
| Due in More Than One Year | 1,760,298 |
| Total Liabilities | 5,034,985 |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 7,672,944 |
| Restricted for: | |
| Capital Outlay | 119,944 |
| Transportation | 1,478,331 |
| Security of Persons and Property | 1,132,969 |
| Other Purposes | 224,823 |
| Unrestricted | 9,490,572 |
| Total Net Assets | \$20,119,583 |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Program Revenues</u> | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|----------------------------|---------------------------------|---|--|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Total Governmental Activities</u> |
| Governmental Activities: | | | | | |
| General Government | \$2,133,452 | \$1,038,904 | \$157,361 | \$38,769 | (\$898,418) |
| Security of Persons and Property | 6,216,410 | 1,083,108 | 55,249 | | (5,078,053) |
| Public Health Services | 4,140 | | | | (4,140) |
| Leisure Time Activities | 61,549 | | | | (61,549) |
| Community and Economic Development | 525,722 | | 228,760 | | (296,962) |
| Transportation | 1,975,928 | 44,065 | 1,362,491 | | (569,372) |
| Interest and Fiscal Charges | 94,544 | | | | (94,544) |
| Total Governmental Activities | <u><u>\$11,011,745</u></u> | <u><u>\$2,166,077</u></u> | <u><u>\$1,803,861</u></u> | <u><u>\$38,769</u></u> | <u><u>(7,003,038)</u></u> |
| General Revenues: | | | | | |
| Income Taxes Levied for: | | | | | |
| | | | | 2,745,885 | |
| General Purposes | | | | 1,309,908 | |
| Public Safety | | | | | |
| Property Taxes Levied for: | | | | | |
| | | | | 519,358 | |
| General Purposes | | | | 1,853,533 | |
| Public Safety | | | | 266,676 | |
| Other Local Taxes | | | | 50,652 | |
| Revenue in Lieu of Taxes | | | | | |
| Grants and Entitlements not Restricted to Specific Programs | | | | 946,817 | |
| Interest | | | | 13,429 | |
| Miscellaneous | | | | 62,050 | |
| Total General Revenues | | | | <u>7,768,308</u> | |
| Change in Net Assets | | | | 765,270 | |
| Net Assets at Beginning of Year - Restated (See Note 22) | | | | <u>19,354,313</u> | |
| Net Assets at End of Year | | | | <u><u>\$20,119,583</u></u> | |

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

| | General Fund | Fire Fund | Street / Public Service Fund | Police Fund |
|---|-------------------------|----------------------|---|------------------------|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$8,302,951 | \$257,567 | \$229,125 | \$97,763 |
| Cash and Cash Equivalents with Fiscal Agent | | | | |
| Receivables: | | | | |
| Accounts | 10,696 | 331,518 | 75,601 | |
| Accrued Interest | 12,171 | | | |
| Intergovernmental | 327,292 | 46,296 | 435,624 | 119,431 |
| Income Taxes | 792,228 | | | |
| Property Taxes | 357,004 | 493,629 | | 1,283,623 |
| Other Local Taxes | 66,766 | | | |
| Revenue in Lieu of Taxes | | | | |
| Special Assessments | | | 886 | |
| Interfund | 16,000 | | | |
| Assets Held for Resale | | | | |
| Total Assets | 9,885,108 | 1,129,010 | 741,236 | 1,500,817 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts Payable | 47,221 | 20,824 | 33,416 | 4,943 |
| Contracts Payable | 13,650 | | 21,686 | |
| Accrued Wages and Benefits Payable | 9,297 | 25,193 | 12,218 | 52,646 |
| Intergovernmental Payable | 21,838 | 126,276 | 25,691 | 262,219 |
| Interfund Payable | | | | |
| Deferred Revenue | 1,321,156 | 831,545 | 440,279 | 1,394,911 |
| Total Liabilities | 1,413,162 | 1,003,838 | 533,290 | 1,714,719 |
| Fund Balances: | | | | |
| Non-spendable | | | | |
| Restricted | | 125,172 | 207,946 | |
| Committed | | | | |
| Assigned | 125,609 | | | |
| Unassigned (Deficit) | 8,346,337 | | | (213,902) |
| Total Fund Balances (Deficit) | 8,471,946 | 125,172 | 207,946 | (213,902) |
| Total Liabilities and Fund Balances | \$9,885,108 | \$1,129,010 | \$741,236 | \$1,500,817 |

See Accompanying Notes to the Basic Financial Statements.

| DAP Facility Fund | General Assessments Fund | Police and Fire Income Tax Fund | Non-major Funds | Total Governmental Funds |
|----------------------------------|---|--|----------------------------|---|
| \$77,126 | \$140,150 | \$36,843 | \$695,586 278,856 | \$9,837,111 278,856 |
| | 108,611 | | | 526,426 12,171 |
| | | | 70,427 | 999,070 |
| | | 396,114 | | 1,188,342 |
| | | | | 2,134,256 |
| | | | | 66,766 |
| 194,633 | | | | 194,633 |
| | 21,950 | | | 22,836 |
| | | | | 16,000 |
| | | | 109,941 | 109,941 |
| <u>271,759</u> | <u>270,711</u> | <u>432,957</u> | <u>1,154,810</u> | <u>15,386,408</u> |
| | | | 12,586 | 118,990 |
| | | | | 35,336 |
| | | | 586 | 99,940 |
| | 79,088 | | 1,014 | 516,126 |
| | | | 16,000 | 16,000 |
| 194,633 | 130,561 | 294,323 | 49,279 | 4,656,687 |
| <u>194,633</u> | <u>209,649</u> | <u>294,323</u> | <u>79,465</u> | <u>5,443,079</u> |
| | | | 109,941 | 109,941 |
| 77,126 | 61,062 | 138,634 | 957,346 | 1,567,286 |
| | | | 855 | 855 |
| | | | 12,444 | 138,053 |
| | | | (5,241) | 8,127,194 |
| <u>77,126</u> | <u>61,062</u> | <u>138,634</u> | <u>1,075,345</u> | <u>9,943,329</u> |
| <u>\$271,759</u> | <u>\$270,711</u> | <u>\$432,957</u> | <u>\$1,154,810</u> | <u>\$15,386,408</u> |

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

| | | |
|---|--------------------|----------------------------|
| Total Governmental Fund Balances | | \$9,943,329 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p> | | |
| Land | \$2,769,404 | |
| Land Improvements | 464,257 | |
| Buildings and Building Improvements | 2,309,004 | |
| Machinery and Equipment | 2,241,058 | |
| Vehicles | 3,084,361 | |
| Infrastructure | 4,964,224 | |
| Accumulated Depreciation | <u>(6,048,148)</u> | |
| Total | | 9,784,160 |
| <p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</p> | | |
| Income Taxes | 883,352 | |
| Property Taxes | 207,903 | |
| Other Local Taxes | 66,766 | |
| Revenue in Lieu of Taxes | 117,769 | |
| Special Assessments | 22,836 | |
| Intergovernmental | 857,835 | |
| Accounts | 486,528 | |
| Interest | <u>10,481</u> | |
| Total | | 2,653,470 |
| <p>In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due</p> | | |
| Accrued Interest Payable | | (9,717) |
| <p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> | | |
| General Obligation Bonds | (2,000,087) | |
| OWDA Loan Payable | (21,836) | |
| Compensated Absences | (158,923) | |
| Capital Lease Payable | (53,957) | |
| Accrued Vacation Leave Payable | <u>(16,856)</u> | |
| Total | | <u>(2,251,659)</u> |
| Net Assets of Governmental Activities | | <u><u>\$20,119,583</u></u> |

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General Fund | Fire Fund | Street / Public Service Fund | Police Fund |
|--|-------------------------|----------------------|---|------------------------|
| Revenues: | | | | |
| Income Taxes | \$2,707,556 | | | |
| Property Taxes | 512,652 | \$594,255 | | \$1,231,411 |
| Other Local Taxes | 262,960 | | | |
| Revenue in Lieu of Taxes | | | | |
| Special Assessments | | | \$1,206 | |
| Intergovernmental | 851,501 | 105,285 | 1,058,420 | 239,525 |
| Charges for Services | 9,959 | 745,783 | 28,435 | 22,750 |
| Licenses and Permits | 17,030 | | | |
| Fines and Forfeitures | | | | 37,698 |
| Interest | 20,275 | | | |
| Miscellaneous | 1,983 | 6,848 | 27,819 | 15,520 |
| Total Revenues | <u>4,383,916</u> | <u>1,452,171</u> | <u>1,115,880</u> | <u>1,546,904</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| General Government | 1,042,235 | | | |
| Security of Persons and Property | | 2,098,811 | | 3,554,955 |
| Public Health Services | | | | |
| Leisure Time Activities | 46,000 | | | |
| Community and Economic Development | 246,020 | | | |
| Transportation | | | 1,359,969 | |
| Capital Outlay | 1,011 | 32,703 | 10,572 | 99,500 |
| Debt Service: | | | | |
| Principal Retirement | | 175,981 | 8,083 | |
| Interest and Fiscal Charges | | 23,033 | 2,556 | |
| Total Expenditures | <u>1,335,266</u> | <u>2,330,528</u> | <u>1,381,180</u> | <u>3,654,455</u> |
| Excess of Revenues Over (Under) Expenditures | <u>3,048,650</u> | <u>(878,357)</u> | <u>(265,300)</u> | <u>(2,107,551)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the Sale of Capital Assets | 24,799 | | | |
| Proceeds of OWDA Loan | | | 23,100 | |
| Transfers In | | 681,923 | 245,000 | 1,901,548 |
| Transfers Out | (1,772,468) | | | |
| Total Other Financing Sources (Uses) | <u>(1,747,669)</u> | <u>681,923</u> | <u>268,100</u> | <u>1,901,548</u> |
| Net Change in Fund Balance | 1,300,981 | (196,434) | 2,800 | (206,003) |
| Restated (See Note 22) | <u>7,170,965</u> | <u>321,606</u> | <u>205,146</u> | <u>(7,899)</u> |
| Fund Balances (Deficit) at End of Year | <u>\$8,471,946</u> | <u>\$125,172</u> | <u>\$207,946</u> | <u>(\$213,902)</u> |

See Accompanying Notes to the Basic Financial Statements.

| DAP Facility Fund | General Assessments Fund | Police and Fire Income Tax Fund | Non-major Funds | Total Governmental Funds |
|----------------------------------|---|--|----------------------------|---|
| | | \$1,293,140 | | \$4,000,696 |
| | | | | 2,338,318 |
| \$100,512 | | | \$1,000 | 262,960 |
| | \$184,332 | | | 101,512 |
| | | | 691,722 | 185,538 |
| | 996,349 | | | 2,946,453 |
| | | | | 1,803,276 |
| | | | | 17,030 |
| | | | 4,496 | 42,194 |
| | | | | 20,275 |
| | | 2,980 | 21,272 | 76,422 |
| <u>100,512</u> | <u>1,180,681</u> | <u>1,296,120</u> | <u>718,490</u> | <u>11,794,674</u> |
| | 869,243 | | 110,306 | 2,021,784 |
| | 231,616 | 43,100 | 34,792 | 5,963,274 |
| | | | 3,982 | 3,982 |
| | | | | 46,000 |
| 22,033 | | | 254,884 | 522,937 |
| | | | 274,807 | 1,634,776 |
| | | | 78,617 | 222,403 |
| 61,585 | | | 88,600 | 334,249 |
| 42,651 | | | 25,799 | 94,039 |
| <u>126,269</u> | <u>1,100,859</u> | <u>43,100</u> | <u>871,787</u> | <u>10,843,444</u> |
| <u>(25,757)</u> | <u>79,822</u> | <u>1,253,020</u> | <u>(153,297)</u> | <u>951,230</u> |
| | | | | 24,799 |
| | | | | 23,100 |
| 77,118 | | | 120,350 | 3,025,939 |
| | | (1,253,471) | | (3,025,939) |
| <u>77,118</u> | | <u>(1,253,471)</u> | <u>120,350</u> | <u>47,899</u> |
| 51,361 | 79,822 | (451) | (32,947) | 999,129 |
| 25,765 | (18,760) | 139,085 | 1,108,292 | 8,944,200 |
| <u>\$77,126</u> | <u>\$61,062</u> | <u>\$138,634</u> | <u>\$1,075,345</u> | <u>\$9,943,329</u> |

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Total Governmental Funds \$999,129

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|---|-----------|-----------|
| Capital Assets Additions | \$211,531 | |
| Depreciation | (622,029) | |
| Excess of Capital Outlay under Depreciation Expense | | (410,498) |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

| | | |
|--|----------|----------|
| Proceeds from the Sale of Capital Assets | (24,799) | |
| Loss on Disposal of Capital Assets | (69,359) | |
| | | (94,158) |

Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:

| | | |
|--------------------------|-----------|----------|
| Income Taxes | 55,097 | |
| Property Taxes | 34,573 | |
| Other Local Taxes | 3,716 | |
| Revenue in Lieu of Taxes | (50,860) | |
| Special Assessments | 2,551 | |
| Intergovernmental | (157,006) | |
| Charges for Services | 115,488 | |
| Miscellaneous | (14,372) | |
| Accrued Interest | (6,846) | |
| | | (17,659) |

Loan proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements; however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

| | | |
|-----------------------|--|----------|
| Proceeds of OWDA Loan | | (23,100) |
|-----------------------|--|----------|

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

| | | |
|-----------------------------------|---------|---------|
| General Obligation Bonds Payments | 277,004 | |
| OWDA Loan Payments | 1,264 | |
| Capital Lease Payments | 55,981 | |
| | | 334,249 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

| | | |
|----------------------------------|--|-------|
| Net Increase in Accrued Interest | | (505) |
|----------------------------------|--|-------|

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

| | | |
|--|----------|----------|
| Increase in Compensated Absences | (5,332) | |
| Increase in Accrued Vacation Leave Payable | (16,856) | |
| | | (22,188) |

| | | |
|---|--|------------------|
| Change in Net Assets of Governmental Activities | | <u>\$765,270</u> |
|---|--|------------------|

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Budgetary Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Income Taxes | \$2,864,000 | \$2,864,000 | \$2,713,250 | (\$150,750) |
| Property Taxes | 413,134 | 413,134 | 512,652 | 99,518 |
| Other Local Taxes | 216,000 | 216,000 | 262,960 | 46,960 |
| Intergovernmental | 684,500 | 684,500 | 933,761 | 249,261 |
| Charges for Services | 5,500 | 5,500 | 9,959 | 4,459 |
| Licenses and Permits | 15,300 | 15,300 | 17,030 | 1,730 |
| Interest | 25,000 | 25,000 | 17,007 | (7,993) |
| Miscellaneous | 25,000 | 25,000 | 1,983 | (23,017) |
| Total Revenues | <u>4,248,434</u> | <u>4,248,434</u> | <u>4,468,602</u> | <u>220,168</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| General Government | 1,202,784 | 1,391,219 | 1,228,010 | 163,209 |
| Leisure Time Activities | 46,000 | 58,115 | 47,931 | 10,184 |
| Community and Economic Development | 287,753 | 288,753 | 264,505 | 24,248 |
| Capital Outlay | 1,057 | 1,057 | 1,011 | 46 |
| Total Expenditures | <u>1,537,594</u> | <u>1,739,144</u> | <u>1,541,457</u> | <u>197,687</u> |
| Excess of Revenues Over Expenditures | <u>2,710,840</u> | <u>2,509,290</u> | <u>2,927,145</u> | <u>417,855</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | | | 24,799 | 24,799 |
| Advances In | 320,000 | 320,000 | 599,100 | 279,100 |
| Advances Out | | (444,000) | (444,000) | |
| Transfers In | | | 6,875 | 6,875 |
| Transfers Out | (3,374,572) | (1,854,572) | (1,779,343) | 75,229 |
| Total Other Financing Sources (Uses) | <u>(3,054,572)</u> | <u>(1,978,572)</u> | <u>(1,592,569)</u> | <u>386,003</u> |
| Net Change in Fund Balance | (343,732) | 530,718 | 1,334,576 | 803,858 |
| Fund Balance at Beginning of Year - Restated | 6,745,869 | 6,745,869 | 6,745,869 | |
| Prior Year Encumbrances | <u>79,594</u> | <u>79,594</u> | <u>79,594</u> | |
| Fund Balance at End of Year | <u>\$6,481,731</u> | <u>\$7,356,181</u> | <u>\$8,160,039</u> | <u>\$803,858</u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Revised Budget | Budgetary Actual | Variance Positive (Negative) |
|---|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Property Taxes | \$528,631 | \$528,631 | \$594,255 | \$65,624 |
| Intergovernmental | | | 105,285 | 105,285 |
| Charges for Services | 735,000 | 735,000 | 765,161 | 30,161 |
| Miscellaneous | 1,000 | 1,000 | 6,848 | 5,848 |
| Total Revenues | <u>1,264,631</u> | <u>1,264,631</u> | <u>1,471,549</u> | <u>206,918</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| Security of Persons and Property | 2,502,834 | 2,359,153 | 2,130,559 | 228,594 |
| Capital Outlay | 134,609 | 136,009 | 135,767 | 242 |
| Debt Service: | | | | |
| Principal Retirement | 120,000 | 120,000 | 120,000 | |
| Interest and Fiscal Charges | 34,860 | 34,860 | 17,822 | 17,038 |
| <i>Total Expenditures</i> | <u>2,792,303</u> | <u>2,650,022</u> | <u>2,404,148</u> | <u>245,874</u> |
| Excess of Revenues Over (Under) Expenditures | (1,527,672) | (1,385,391) | (932,599) | 452,792 |
| Other Financing Sources: | | | | |
| Transfers In | 1,244,633 | 1,244,633 | 681,923 | (562,710) |
| Net Change in Fund Balance | (283,039) | (140,758) | (250,676) | (109,918) |
| Fund Balance at Beginning of Year | 258,155 | 258,155 | 258,155 | |
| Prior Year Encumbrances | 183,568 | 183,568 | 183,568 | |
| Fund Balance at End of Year | <u>\$158,684</u> | <u>\$300,965</u> | <u>\$191,047</u> | <u>(\$109,918)</u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
STREET / PUBLIC SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Budgetary Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$836,900 | \$836,900 | \$1,193,422 | \$356,522 |
| Charges for Services | 5,000 | 5,000 | 28,435 | 23,435 |
| Special Assessments | | | 1,206 | 1,206 |
| Miscellaneous | 5,000 | 5,000 | 27,975 | 22,975 |
| Total Revenues | <u>846,900</u> | <u>846,900</u> | <u>1,251,038</u> | <u>404,138</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| Transportation | 1,469,001 | 1,537,599 | 1,419,213 | 118,386 |
| Capital Outlay | 74,984 | 12,050 | 10,572 | 1,478 |
| Debt Service: | | | | |
| Principal Retirement | 14,319 | 13,213 | 8,083 | 5,130 |
| Interest and Fiscal Charges | 1,450 | 2,556 | 2,556 | |
| Total Expenditures | <u>1,559,754</u> | <u>1,565,418</u> | <u>1,440,424</u> | <u>124,994</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(712,854)</u> | <u>(718,518)</u> | <u>(189,386)</u> | <u>529,132</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds of OWDA Loans | 23,100 | 23,100 | 23,100 | |
| Advances Out | | | (155,100) | (155,100) |
| Transfers In | 661,819 | 661,819 | 245,000 | (416,819) |
| Total Other Financing Sources (Uses) | <u>684,919</u> | <u>684,919</u> | <u>113,000</u> | <u>(571,919)</u> |
| Net Change in Fund Balance | (27,935) | (33,599) | (76,386) | (42,787) |
| Fund Balance at Beginning of Year | 157,466 | 157,466 | 157,466 | |
| Prior Year Encumbrances | <u>32,935</u> | <u>32,935</u> | <u>32,935</u> | |
| Fund Balance at End of Year | <u>\$162,466</u> | <u>\$156,802</u> | <u>\$114,015</u> | <u>(\$42,787)</u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Budgetary Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Property Taxes | \$1,467,231 | \$1,467,231 | \$1,231,411 | (\$235,820) |
| Intergovernmental | 37,000 | 37,000 | 255,150 | 218,150 |
| Charges for Services | | | 17,363 | 17,363 |
| Fines and Forfeitures | 235,750 | 235,750 | 36,725 | (199,025) |
| Miscellaneous | 5,000 | 5,000 | 15,520 | 10,520 |
| Total Revenues | <u>1,744,981</u> | <u>1,744,981</u> | <u>1,556,169</u> | <u>(188,812)</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| Security of Persons and Property | 4,009,036 | 3,685,036 | 3,540,874 | 144,162 |
| Capital Outlay | | 99,500 | 99,500 | |
| Total Expenditures | <u>4,009,036</u> | <u>3,784,536</u> | <u>3,640,374</u> | <u>144,162</u> |
| Excess of Revenues Under Expenditures | (2,264,055) | (2,039,555) | (2,084,205) | (44,650) |
| Other Financing Sources: | | | | |
| Transfers In | 2,286,984 | 2,286,984 | 1,901,548 | (385,436) |
| Net Change in Fund Balance | <u>22,929</u> | <u>247,429</u> | <u>(182,657)</u> | <u>(430,086)</u> |
| Fund Balance at Beginning of Year | 170,386 | 170,386 | 170,386 | |
| Prior Year Encumbrances | <u>85,236</u> | <u>85,236</u> | <u>85,236</u> | |
| Fund Balance at End of Year | <u><u>\$278,551</u></u> | <u><u>\$503,051</u></u> | <u><u>\$72,965</u></u> | <u><u>(\$430,086)</u></u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (NON-GAAP BASIS)
DAP FACILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Budgetary Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Revenue in Lieu of Taxes | | | \$100,512 | \$100,512 |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| Community Environment | \$50,000 | \$48,500 | 22,133 | 26,367 |
| Debt Service: | | | | |
| Principal Retirement | 61,269 | 61,855 | 61,585 | 270 |
| Interest and Fiscal Charges | 43,237 | 42,651 | 42,651 | |
| Total Expenditures | <u>154,506</u> | <u>153,006</u> | <u>126,369</u> | <u>26,637</u> |
| Excess of Revenues Over (Under) Expenditures | (154,506) | (153,006) | (25,857) | 127,149 |
| Other Financing Sources: | | | | |
| Transfers In | 129,236 | 129,236 | 77,118 | (52,118) |
| Net Change in Fund Balance | <u>(25,270)</u> | <u>(23,770)</u> | 51,261 | 75,031 |
| Fund Balance at Beginning of Year | <u>25,765</u> | <u>25,765</u> | <u>25,765</u> | |
| Fund Balance at End of Year | <u><u>\$495</u></u> | <u><u>\$1,995</u></u> | <u><u>\$77,026</u></u> | <u><u>\$75,031</u></u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL ASSESSMENTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Revised Budget | Budgetary Actual | Variance Positive (Negative) |
|---|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Charges for Services | \$1,006,000 | \$1,006,000 | \$996,349 | (\$9,651) |
| Special Assessments | 183,000 | 183,000 | 184,332 | 1,332 |
| Total Revenues | <u>1,189,000</u> | <u>1,189,000</u> | <u>1,180,681</u> | <u>(8,319)</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| General Government | | 1,006,300 | 944,815 | 61,485 |
| Security of Persons and Property | 1,202,887 | 256,587 | 245,003 | 11,584 |
| Total Expenditures | <u>1,202,887</u> | <u>1,262,887</u> | <u>1,189,818</u> | <u>73,069</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(13,887)</u> | <u>(73,887)</u> | <u>(9,137)</u> | <u>64,750</u> |
| Other Financing Sources (Uses): | | | | |
| Advances In | 320,000 | 320,000 | 320,000 | |
| Advances Out | | | (320,000) | (320,000) |
| Total Other Financing Sources (Uses) | <u>320,000</u> | <u>320,000</u> | <u></u> | <u>(320,000)</u> |
| Net Change in Fund Balance | 306,113 | 246,113 | (9,137) | (255,250) |
| Fund Balance at Beginning of Year | 135,900 | 135,900 | 135,900 | |
| Prior Year Encumbrances | <u>13,387</u> | <u>13,387</u> | <u>13,387</u> | |
| Fund Balance at End of Year | <u>\$455,400</u> | <u>\$395,400</u> | <u>\$140,150</u> | <u>(\$255,250)</u> |

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE AND FIRE INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Budgetary Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|---------------------------|-----------------------------|---|
| Revenues: | | | | |
| Income Taxes | \$1,436,200 | \$1,436,200 | \$1,293,591 | (\$142,609) |
| Miscellaneous | | | 2,980 | 2,980 |
| Total Revenues | <u>1,436,200</u> | <u>1,436,200</u> | <u>1,296,571</u> | <u>(139,629)</u> |
| Expenditures: | | | | |
| Current Operations and Maintenance: | | | | |
| Security of Persons and Property | <u>43,100</u> | <u>43,100</u> | <u>43,100</u> | |
| Excess of Revenues Over (Under) Expenditures | 1,393,100 | 1,393,100 | 1,253,471 | (139,629) |
| Other Financing Uses: | | | | |
| Transfers Out | <u>(1,392,900)</u> | <u>(1,392,900)</u> | <u>(1,253,471)</u> | 139,429 |
| Net Change in Fund Balance | 200 | 200 | | (200) |
| Fund Balance at Beginning of Year - Restated | <u>36,843</u> | <u>36,843</u> | <u>36,843</u> | |
| Fund Balance at End of Year | <u><u>\$37,043</u></u> | <u><u>\$37,043</u></u> | <u><u>\$36,843</u></u> | <u><u>(\$200)</u></u> |

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Riverside (the City) is a chartered municipal corporation established and operating under the laws of the State of Ohio and its charter. Mad River Township and the Village of Riverside merged in 1994 to become the City of Riverside. The City operates under a Council Manager form of government. Elected officials include seven council members, one of which is the Mayor. Legislative power is vested in this seven member Council. All council members, including the Mayor, are elected to four year terms.

The City Manager, who is appointed by the Council, is the chief executive officer for the City. The administrative activities of the City are carried out by a Department of Finance, a Department of Law, a Department of Service and a Department of Safety. All department heads are hired by the City Manager with approval from Council, except for the Director of the Department of Law, who is appointed by Council.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City's legal entity which provides various services including police protection, fire protection, health services, street maintenance and repairs, leisure time activities, and community and economic development. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes.

The Riverside Community Improvement Corporation is a component unit of the City and is reported separately to emphasize that it is legally separate from the City.

Riverside Community Improvement Corporation

The Riverside Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC is governed by a five member Board of Trustees, three of which are appointed officials of the City and two are elected officials of the City. The CIC provided services to the City by means of having acquired and sold real property to increase the opportunities for employment and strengthen the economic development of the City of Riverside. The Riverside Community Improvement Corporation operates on a calendar year basis ending December 31. Separately issued financial statements can be obtained from the Riverside Community Improvement Corporation, 1791 Harshman Road, Riverside, Ohio 45424.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY (Continued)

The City is associated with five organizations, three of which are defined as jointly governed organizations, one as a related organization and one as a risk sharing pool. These organizations are the Miami Valley Regional Planning Commission, the Miami Valley Fire/EMS Alliance, the Economic Development/Government Equity Program, the Riverside Historical Society, and the Public Entities Pool of Ohio and are presented in Notes 17, 18, and 19 to the Basic Financial Statements.

The information in Notes 2 through 22 relate to the primary government. Information related to the discretely presented component unit is presented in Note 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Riverside have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements normally distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The City, however, has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the City: governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – This fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Fire Fund – This fund accounts for and reports restricted monies related to the fire department activities and the fire levy tax proceeds.

Street / Public Service Fund – This fund accounts for and reports that portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance and repair of streets within the City.

Police Fund – This fund accounts for and reports restricted monies received from the police levy tax proceeds, along with fines generated through safety enforcement within the City.

DAP Facility Fund – This fund accounts for and reports restricted monies received through tax increment financing agreements related to the Center of Flight Project.

General Assessments Fund – This fund accounts for and reports restricted trash billing collections and special assessments to provide street lighting within the City.

Police and Fire Income Tax Fund – This fund accounts for and reports the accumulation of restricted income taxes levied for the payment of the current and accrued liability for police and fire disability and pension benefits. Once the income taxes are collected, the monies are transferred to the respective Police and Fire special revenue funds for payment of the liabilities.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for money held for individuals and organizations for fire insurance settlements which will be relinquished to the individuals and organizations upon restoration of damaged property. Although there was activity during the year, the fund balance of the agency fund was zero at December 31, 2011; therefore, no statements are presented.

C. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statement of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, revenue in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes and revenue in lieu of taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), grants, and charges for services.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of December 31, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as final budgeted amounts represent estimates from the amended certificate in effect at the time final appropriations were passed by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year, including all supplemental appropriations.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The City has permissive motor vehicle license money, which is held by the Montgomery County Engineer as agent and distributed to the City for approved street projects. The balance in this account is presented on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

During the year, investments were limited to Federal Agency Securities, Negotiable Certificates of Deposit, and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on December 31, 2011.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2011 amounted to \$20,275, which includes \$18,924 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Receivables and Payables

On fund financial statements, outstanding interfund loans and unpaid interfund services are reported as "Interfund Receivable" and "Interfund Payable". Interfund balances are eliminated in the governmental activities column of the Statement of Net Assets.

H. Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Descriptions</u> | <u>Estimated Lives</u> |
|-------------------------------------|------------------------|
| Land Improvements | 10-25 years |
| Buildings and Building Improvements | 20-50 years |
| Machinery and Equipment | 3-20 years |
| Vehicles | 5-20 years |
| Infrastructure | 10-60 years |

The City's infrastructure consists of streets, a storm sewer system, light poles, street lights, traffic signals, and curbs. The City only reports the amounts acquired after 2003. General infrastructure assets acquired prior to January 1, 2004 are not reported in the Basic Financial Statements.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees after one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The non-spendable fund balance for the City includes the amount of assets held for resale.

2. Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities and improving the living environment of the City.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. ACCOUNTABILITY

At December 31, 2011, the Police Special Revenue Fund and the Ohio Public Works/Issue II Capital Projects Fund had deficit fund balances of \$213,902 and \$5,241, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund and the major special revenue funds on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned balance (GAAP basis).

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
6. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and the major special revenue funds are as follows:

| Net Change in Fund Balance | | | | | | | |
|---|-------------------------|----------------------|---------------------------------------|------------------------|----------------------------------|---|--|
| | General Fund | Fire Fund | Street/Public Service Fund | Police Fund | DAP Facility Fund | General Assessments Fund | Police and Fire Income Tax Fund |
| GAAP Basis | \$1,300,981 | (\$196,434) | \$ 2,800 | (\$206,003) | \$51,361 | \$79,822 | (\$451) |
| Revenue Accruals | 92,032 | 19,378 | 135,158 | 9,265 | | | 451 |
| Expenditure Accruals | (59,371) | (7,100) | 36,439 | 38,879 | | (88,959) | |
| Encumbrances | (146,820) | (66,520) | (95,683) | (24,798) | (100) | | |
| Change in Fair Value of Investments - 2011 | 3,908 | | | | | | |
| Change in Fair Value of Investments - 2010 | (9,403) | | | | | | |
| Unrecorded Cash - 2010 | (1,851) | | | | | | |
| Advances | 155,100 | | (155,100) | | | | |
| Budget Basis | <u>\$1,334,576</u> | <u>(\$250,676)</u> | <u>(\$76,386)</u> | <u>(\$182,657)</u> | <u>\$51,261</u> | <u>(\$9,137)</u> | <u>\$ 0</u> |

5. DEPOSITS AND INVESTMENTS

The investment and deposit of City monies are governed by the Ohio Revised Code and the City's charter. State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Active deposits must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above; and
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

As of December 31, 2011, the City had the following investments:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

| | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | <u>S&P Rating</u> | <u>Percent of Total Investments</u> |
|--|--------------------|---|------------------|---------------------------|---|
| | | <u>Less than 1</u> | <u>1-5</u> | | |
| Federal Home Loan Mortgage Corporation Bonds | \$ 494,544 | \$ 303,977 | \$190,567 | Aaa | 16.31% |
| Federal National Mortgage Association Bonds | 444,359 | 319,416 | 124,943 | Aaa | 14.66% |
| Federal National Mortgage Association Discount Notes | 59,984 | 59,984 | | Aaa | 1.98% |
| Federal Home Loan Bank Bonds | 1,113,569 | 977,371 | 136,198 | Aaa | 36.73% |
| Federal Home Loan Bank Consolidation Discount Bonds | 69,980 | 69,980 | | Aaa | 2.31% |
| Federal Farm Credit Bank Bonds | 217,563 | 217,563 | | Aaa | 7.18% |
| Negotiable Certificates of Deposit | 508,027 | | 508,027 | N/A | 16.76% |
| STAROhio | 123,592 | 123,592 | | AAAm | 4.08% |
| Totals | <u>\$3,031,618</u> | <u>\$2,071,883</u> | <u>\$959,735</u> | | <u>100.00%</u> |

Interest Rate Risk – State statute requires that an investment mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. The City’s investment policy states that the City will not directly invest in securities maturing more than five years from the settlement date unless, per a bond indenture, the investment is matched to a specified obligation or debt of the subdivision. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities will be disclosed in writing to City Council.

Credit Risk – Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy limits investments to those authorized by State statute. State statute only addresses credit risk by limiting the investments that may be purchased to those offered by specifically identified issuers. The Standard and Poor’s (S&P) rating of each investment is listed in the table above.

Concentration of Credit Risk – It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities. However, the maximum percentages are established at the following levels for each eligible instrument: 60 percent in cooperative, money market or pooled investment programs, 20 percent in a single issue, except U.S. Treasury securities and 35 percent in a single issuer, except for obligations or securities guaranteed by the United States. The percentage that each investment represents of the total investments is listed in the table above.

6. MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In addition, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City’s current tax rate. The City utilized the Regional Income Tax Agency (RITA) for the collection of income taxes.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, police and fire pension benefits, and other governmental functions when needed, as determined by Council. In 2011, the proceeds were allocated to the General Fund and the Police and Fire Special Revenue Fund.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

7. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011 was \$11.34 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2011 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-------------------------|-----------------------|
| Real Estate | \$285,713,310 |
| Public Utility Personal | 4,206,890 |
| Totals | <u>\$289,920,200</u> |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Riverside. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

8. RECEIVABLES

Receivables at December 31, 2011, consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, income taxes, property taxes, other local taxes, revenue in lieu of taxes, special assessments, and interfund. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, income taxes, and special assessments. Property taxes, income taxes, and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Special assessments expected to be collected in more than one year for the City amounts to \$22,836. The City had \$22,836 in delinquent special assessments at December 31, 2011.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

8. RECEIVABLES (Continued)

The City entered into a loan agreement with the Riverside Community Improvement Corporation (CIC), in which the CIC is repaying the City for the bond anticipation note issued by the City on behalf of the CIC for the purpose of acquiring real estate for economic development within the City. The loan agreement was for \$120,380. During 2011, the CIC transferred the real estate to the City as payment in full for the balance relating to this loan.

A summary of the principal items of intergovernmental receivables follows:

| | |
|--|-------------------------|
| Governmental Activities: | |
| Homestead and Rollback | \$191,309 |
| County Local Government | 262,422 |
| State Local Government | 21,813 |
| Gasoline Excise Tax/Cents per Gallon | 378,688 |
| Motor Vehicle License Tax | 92,257 |
| Permissive Tax | 13,126 |
| Office of Criminal Justice Services / Victims of Crime Act Grant | 21,980 |
| Miami Valley Conservancy District Grant | 8,750 |
| Well Field Protection Grant | 582 |
| Montgomery County Court | 2,756 |
| City of Huber Heights | 5,387 |
| Total Intergovernmental Receivable | <u><u>\$999,070</u></u> |

A. Revenue in Lieu of Taxes Receivable

The City granted real property tax exemptions to landowners for improvements made to their properties for a period of 10 years. The City requires the owners to make an annual payment to the City in lieu of taxes in the amount that would be payable on the increase in the value of the property if not for the exemption. The City then uses these monies to pay for public infrastructure improvements benefiting the owners. The City accrues a receivable for the amounts measurable at December 31, 2011. The City is not able to measure the receivable for all future payments because the payments are based upon projected tax collections.

9. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011, was as follows:

| | <u>Balance at 12/31/2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 12/31/2011</u> |
|---|----------------------------------|------------------|------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 2,776,614 | \$ 1,640 | (\$ 8,850) | \$2,769,404 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 464,257 | | | 464,257 |
| Buildings and Building Improvements | 2,395,632 | | (86,628) | 2,309,004 |
| Machinery and Equipment | 2,128,647 | 112,411 | | 2,241,058 |
| Vehicles | 3,130,651 | 97,480 | (143,770) | 3,084,361 |
| Infrastructure | 4,964,224 | | | 4,964,224 |
| Total Depreciable Capital Assets | <u>13,083,411</u> | <u>209,891</u> | <u>(230,398)</u> | <u>13,062,904</u> |

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. CAPITAL ASSETS (Continued)

| | Balance at 12/31/2010 | Additions | Deletions | Balance at 12/31/2011 |
|---|----------------------------------|--------------------|-------------------|----------------------------------|
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (127,697) | (22,234) | | (149,931) |
| Buildings and Building Improvements | (616,805) | (55,925) | 7,155 | (665,575) |
| Machinery and Equipment | (1,461,122) | (147,217) | | (1,608,339) |
| Vehicles | (2,669,868) | (155,151) | 137,935 | (2,687,084) |
| Infrastructure | (695,717) | (241,503) | | (937,220) |
| Total Accumulated Depreciation | <u>(5,571,209)</u> | <u>(622,029)</u> | <u>145,090</u> | <u>(6,048,148)</u> |
| Depreciable Capital Assets, Net | <u>7,512,202</u> | <u>(412,138)</u> | <u>(85,308)</u> | <u>7,014,756</u> |
| Governmental Activities Capital Assets, Net | <u>\$10,288,816</u> | <u>(\$410,498)</u> | <u>(\$94,158)</u> | <u>\$9,784,160</u> |

Depreciation expense was charged to governmental programs as follows:

| | |
|------------------------------------|------------------|
| General Government | \$ 41,066 |
| Security of Persons and Property | 220,951 |
| Public Health Services | 158 |
| Leisure Time Activities | 15,549 |
| Community and Economic Development | 65 |
| Transportation | 344,240 |
| Total Depreciation Expense | <u>\$622,029</u> |

10. DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2011, members in State and local divisions contributed 10 percent of covered payroll. Members in the State and local divisions may participate in all three plans. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$148,639, \$138,686, and \$80,491, respectively. For 2011, 91.43 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$246,712 and \$154,739 for the year ended December 31, 2011, \$250,128 and \$152,894 for the year ended December 31, 2010, and \$231,948 and \$172,317 for the year ended December 31, 2009. 71.28 percent has been contributed for police and 67.43 percent has been contributed for firefighters for 2011 with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$57,979, \$77,947, and \$80,491, respectively. For 2011, 91.43 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$130,612 and \$60,550 for the year ended December 31, 2011, \$132,421 and \$59,828 for the year ended December 31, 2010, and \$122,796 and \$62,827 for the year ended December 31, 2009. For 2011, 71.28 percent has been contributed for police and 67.43 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

12. EMPLOYEE BENEFITS

A. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and negotiated agreements. Current policy of union employees covered by negotiated agreements credits vacation leave annually on January 1 and allows the unused balance to be accumulated at levels which depend upon years of service. City employees covered by the negotiated agreements are paid for earned, unused vacation leave at the time of termination of employment. However, non-union employees covered by the personnel policy of the City cannot carry over more than 40 hours of accrued vacation. These employees lose any remaining vacation balances existing at the end of the calendar year. On governmental fund financial statements, a liability is reported for non-union employees for vacation balances which do not carry over beyond the anniversary of their date of hire each year. These amounts are recorded in the account "Accrued Vacation Leave Payable" in the funds from which the employees will be paid.

Sick leave is earned at rates which vary depending upon specified personnel policies and union contracts. At retirement, employees will be paid varying portions of their accumulated sick leave, based on the union agreements and the City personnel policy.

City employees can also earn compensatory time. Compensatory time is paid at one and one-half times an employee's regular rate. Employees with time remaining upon termination of their employment will be paid for any unused compensatory time.

B. Insurance Benefits

Full-time City employees are provided medical/surgical benefits from Anthem Blue Cross Blue Shield and vision benefits from Superior Vision. The City pays 90 percent for non-union employees and 86 percent for union employees of the monthly premiums for the employees. The premium varies with each employee depending on the plan and coverage selected. Dental insurance is provided through Superior Dental Care. Life insurance is provided through Anthem Life Insurance. Department heads and administrative staff receive an amount equal to their annual salary in life insurance up to \$50,000; the City Manager receives two times his annual salary; police, fire, and street union employees receive \$30,000 in coverage.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan, Ohio Municipal League 457 Deferred Compensation Plan, International City Manager Association 457 Deferred Compensation Plan or the Ohio Association of Professional Fire Fighters 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

13. CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a lease agreement for the purchase of a vehicle. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$125,316, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in 2011 totaled \$55,981 in the Fire Special Revenue Fund.

The assets acquired through capital lease as of December 31, 2011, are as follows:

| | Asset Value | Accumulated Depreciation | Net Book Value |
|-----------|------------------------|-------------------------------------|---------------------------|
| Ambulance | \$125,316 | \$31,329 | \$93,987 |

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011:

| Year Ending December 31, | Amount |
|---|---------------|
| 2012 | \$55,629 |
| Less: Amount Representing Interest | (1,672) |
| Present Value of Minimum Lease Payments | \$53,957 |

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City's long-term obligations during 2011 consisted of the following:

| | <u>Balance at 12/31/2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance at 12/31/2011</u> | <u>Due Within One Year</u> |
|--|----------------------------------|------------------|------------------|----------------------------------|------------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| 2005 Various Purpose Bonds - Un-voted 4.15% \$2,154,168 | \$1,077,091 | | \$215,419 | \$ 861,672 | \$215,419 |
| 2010 Various Purpose Bonds 3.6% \$1,200,000 | 1,200,000 | | 61,585 | 1,138,415 | 63,822 |
| Total General Obligations Bonds | <u>2,277,091</u> | | <u>277,004</u> | <u>2,000,087</u> | <u>279,241</u> |
| Other Long-Term Obligations: | | | | | |
| 2011 OWDA Loan 3.25% \$23,100 | | \$ 23,100 | 1,264 | 21,836 | 877 |
| Compensated Absences | 153,591 | 257,355 | 252,023 | 158,923 | 140,430 |
| Capital Leases | 109,938 | | 55,981 | 53,957 | 53,957 |
| Total Other Long-Term Obligations | <u>263,529</u> | <u>280,455</u> | <u>309,268</u> | <u>234,716</u> | <u>195,264</u> |
| Total Governmental Activities | <u>\$2,540,620</u> | <u>\$280,455</u> | <u>\$586,272</u> | <u>\$2,234,803</u> | <u>\$474,505</u> |

The 2005 Various Purpose Bonds were issued on December 6, 2005, in the amount of \$2,154,168 to retire the 2001 Sidewalk Special Assessment Bond Anticipation Note, the 2005 Fire Station Acquisition Note, the 2005 Real Estate Acquisition Note, the 2004 General Equipment Replacement Bond Anticipation Note, and the 2004 Business Park Infrastructure Bond Anticipation Note. The bonds were issued at a 4.15 percent interest rate and will reach maturity on December 6, 2015. The bonds are being paid from the Fire and Street / Public Services Special Revenue Funds and the General Obligation Debt Retirement Debt Service Fund using transfers from the General Fund.

The 2010 Various Purpose Bonds were issued on November 8, 2010, in the amount of \$1,200,000 to retire the Real Estate Acquisition Bond Anticipation Note and the Center of Flight Improvement Bond Anticipation Note. The bonds were issued at a 3.6 percent interest rate and will reach maturity on November 8, 2020. The bonds will be paid from the DAP Facility Special Revenue Fund using transfers from the General Fund.

The Ohio Water Development Authority (OWDA) loan consisted of money owed to the Ohio Water Development Authority for the construction of a salt storage shed. The loan was issued at a 3.25 percent interest rate and will reach maturity on July 1, 2030. The loan will be repaid from the Street / Public Services Special Revenue Fund.

Compensated absences will be paid from the General Fund and the Fire, Street / Public Service, Police, and Victim of Crimes Act Special Revenue Funds. The City's capital lease obligation will be paid from the Fire Special Revenue Fund.

The City's overall legal debt margin was \$28,441,539 and the un-voted legal debt margin was \$13,945,529 at December 31, 2011.

Principal and interest requirements to retire the City's outstanding general obligation bonds at December 31, 2011, were:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

| Year | General Obligation Bonds | | OWDA Loan | | Total | |
|-----------|--------------------------|------------------|-----------------|----------------|--------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 279,240 | \$ 76,173 | \$ 877 | \$ 703 | \$ 280,117 | \$ 76,876 |
| 2013 | 281,558 | 64,915 | 906 | 674 | 282,464 | 65,589 |
| 2014 | 283,961 | 53,573 | 936 | 644 | 284,897 | 54,217 |
| 2015 | 286,450 | 42,143 | 966 | 614 | 287,416 | 42,757 |
| 2016 | 73,612 | 30,623 | 998 | 582 | 74,610 | 31,205 |
| 2017-2021 | 795,266 | 94,764 | 5,501 | 2,397 | 800,767 | 97,161 |
| 2022-2026 | | | 6,466 | 1,434 | 6,466 | 1,434 |
| 2027-2030 | | | 5,186 | 342 | 5,186 | 342 |
| Total | <u>\$2,000,087</u> | <u>\$362,191</u> | <u>\$21,836</u> | <u>\$7,390</u> | <u>\$2,021,923</u> | <u>\$369,581</u> |

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage through the Public Entities Pool of Ohio (PEP), a risk sharing pool, for building contents, vehicles, general liability, public official and police professional liability. (See Note 19) Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

16. INTERFUND ACTIVITY

Interfund balances at December 31, 2011, consisted of \$16,000 paid from the General Fund to Non-major Governmental Funds as a result of deficit spending. All amounts are expected to be paid within one year.

Transfers made during the year ended December 31, 2011, were as follows:

| Transfers From | Transfers To | | | | | Total |
|---------------------------------|------------------|------------------------------|--------------------|-------------------|------------------|--------------------|
| | Fire Fund | Street / Public Service Fund | Police Fund | DAP Facility Fund | Non-major Funds | |
| General Fund | \$168,000 | \$245,000 | \$1,162,000 | \$77,118 | \$120,350 | \$1,772,468 |
| Police and Fire Income Tax Fund | 513,923 | | 739,548 | | | 1,253,471 |
| Total | <u>\$681,923</u> | <u>\$245,000</u> | <u>\$1,901,548</u> | <u>\$77,118</u> | <u>\$120,350</u> | <u>\$3,025,939</u> |

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Riverside. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$10,831 for the operation of the Commission during 2011. Financial information may be obtained by writing to Donald Spang, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

B. Miami Valley Fire/EMS Alliance

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full-time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full-time employees. Payments to the Alliance are made from the Fire Special Revenue Fund. The City did not make any contributes toward the operation of the Alliance during 2011. Financial information may be obtained by writing to David Kimbler, Executive Director, at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

C. Economic Development/Government Equity Program

The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for 11 years, ending December 31, 2011. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the General Fund. The City did not receive any contributions from ED/GE during 2011. Financial information may be obtained by writing to Joseph Tuss, Administrator, 451 West Third Street, Dayton, Ohio 45402.

18. RELATED ORGANIZATION

The Riverside Historical Society (RHS) is a related organization that was created by Ordinance No. 96-0-79 on November 7, 1996, by the City of Riverside. RHS is governed by seven members which are appointed by City Council. RHS was established to provide a society which is interested and qualified to undertake such programs that will promote the historical and cultural heritage of the City, to protect existing historical landmarks in the City, and to promote the use of and protect historical sites within the City. The City is not able to impose its will on the RHS and no financial benefit and/or burden relationship exists. The City contributed \$3,800 for the operation of the RHS during 2011.

19. RISK SHARING POOL

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081, of the Ohio Revised Code, by the execution of an intergovernmental contract ("Participation Agreements"). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability.

PEP has no employees, rather it is administered through contracts with various professionals. Pursuant to a contract, the firm of Accordia of Ohio administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a "Pool Operator," currently Pottering Insurance. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as counsel to PEP and others as required.

The City pays an annual "premium" to PEP for the coverage they are provided, based on rates established by PEP, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of PEP. During 2011, the City of Riverside made premium payments of \$102,402 to PEP. There was no required surplus contribution in 2011.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The City makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio 45402.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

20. CONTINGENT LIABILITIES

A. Litigation

The City was not party to any legal proceedings at year-end.

B. Federal and State Grants

For the period January 1, 2011, to December 31, 2011, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

21. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

| Fund Balances | General Fund | Fire Fund | Street / Public Service Fund | Police Fund |
|--------------------------|---------------------|------------------|---|--------------------|
| Non-spendable: | | | | |
| Assets Held for Resale | | | | |
| Restricted for: | | | | |
| Safety Forces | | \$125,172 | | |
| Transportation Services | | | \$207,946 | |
| Street Lighting | | | | |
| Center of Flight Program | | | | |
| Drug Law | | | | |
| Public Health Services | | | | |
| Community Development | | | | |
| Capital Improvements | | | | |
| Total Restricted | | 125,172 | 207,946 | |
| Committed to: | | | | |
| Transportation Services | | | | |
| Safety Forces | | | | |
| Total Committed | | | | |
| Assigned to: | | | | |
| Unpaid Obligations | \$ 125,609 | | | |
| Community Development | | | | |
| Debt Service Payments | | | | |
| Total Assigned | 125,609 | | | |
| Unassigned | 8,346,337 | | | (\$213,902) |
| Total Fund Balances | <u>\$8,471,946</u> | <u>\$125,172</u> | <u>\$207,946</u> | <u>(\$213,902)</u> |

(Continued)

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

21. FUND BALANCES (Continued)

| Fund Balances | DAP Facility Fund | General Assessments Fund | Police Fire Income Tax Fund | Non-major Funds | Total |
|--------------------------|-------------------------|--------------------------------|-----------------------------------|--------------------|-------------|
| Non-spendable: | | | | | |
| Assets Held for Resale | | | | \$ 109,941 | \$ 109,941 |
| Restricted for: | | | | | |
| Safety Forces | | | \$138,634 | 9,535 | 273,341 |
| Transportation Services | | | | 826,216 | 1,034,162 |
| Street Lighting | | \$61,062 | | | 61,062 |
| Center of Flight Program | \$77,126 | | | | 77,126 |
| Drug Law | | | | 782 | 782 |
| Public Health Services | | | | 869 | 869 |
| Community Development | | | | 88,513 | 88,513 |
| Capital Improvements | | | | 31,431 | 31,431 |
| Total Restricted | 77,126 | 61,062 | 138,634 | 957,346 | 1,567,286 |
| Committed to: | | | | | |
| Transportation Services | | | | 229 | 229 |
| Safety Forces | | | | 626 | 626 |
| Total Committed | | | | 855 | 855 |
| Assigned to: | | | | | |
| Unpaid Obligations | | | | | 125,609 |
| Community Development | | | | 12,439 | 12,439 |
| Debt Service Payments | | | | 5 | 5 |
| Total Assigned | | | | 12,444 | 138,053 |
| Unassigned | | | | (5,241) | 8,127,194 |
| Total Fund Balances | \$77,126 | \$61,062 | \$138,634 | \$1,075,345 | \$9,943,329 |

22. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET ASSETS

A. Change in Accounting Principles

The City has implemented Governmental Accounting Standards Board (GASB) Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 59, "Financial Instruments Omnibus". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 59 updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of these statements resulted in the following changes to fund balances and net assets at December 31, 2010, as previously reported, and are reflected below.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

22. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET ASSETS (Continued)

B. Accounting Change

Also, for 2011, it was determined that cash and cash equivalents with fiscal agents, income tax receivable, and deferred revenue as reported at December 31, 2010, were improperly reported. The correction of these items resulted in the following changes to fund balances and net assets at December 31, 2010, as previously reported:

| | <u>General Fund</u> | <u>Fire Fund</u> | <u>Street / Public Service Fund</u> | <u>Police Fund</u> |
|---|---------------------|------------------|---|--------------------|
| Fund Balance, December 31, 2010, as Previously Reported | \$7,301,121 | \$321,606 | \$205,146 | (\$7,899) |
| Restatement of Cash and Cash Equivalents with Fiscal Agent | | | | |
| Restatement of Income Taxes Receivable | (690,932) | | | |
| Restatement of Deferred Revenue | 588,690 | | | |
| Reclassification of Funds | (27,914) | | | |
| Fund Balance, December 31, 2010, as Restated | <u>\$7,170,965</u> | <u>\$321,606</u> | <u>\$205,146</u> | <u>(\$7,899)</u> |

(Continued)

| | <u>DAP Facility Fund</u> | <u>General Assessments Fund</u> | <u>Police Fire Income Tax Fund</u> | <u>Non-major Funds</u> | <u>Total</u> |
|---|------------------------------|-------------------------------------|--|----------------------------|--------------------|
| Fund Balance, December 31, 2010, as Previously Reported | \$25,765 | (\$18,760) | | \$ 682,899 | \$8,509,878 |
| Restatement of Cash and Cash Equivalents with Fiscal Agent | | | | 324,381 | 324,381 |
| Restatement of Income Taxes Receivable | | | \$379,797 | | (311,135) |
| Restatement of Deferred Revenue | | | (277,555) | 109,941 | 421,076 |
| Reclassification of Funds | | | 36,843 | (8,929) | |
| Fund Balance, December 31, 2010, as Restated | <u>\$25,765</u> | <u>(\$18,760)</u> | <u>\$139,085</u> | <u>\$1,108,292</u> | <u>\$8,944,200</u> |

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Net Assets, December 31, 2010 | \$19,341,067 |
| Restatement of Cash and Cash Equivalents with Fiscal Agent | 324,381 |
| Restatement of Income Taxes Receivable | (311,135) |
| Net Assets, December 31, 2010, as Restated | <u>\$19,354,313</u> |

23. RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the Riverside Community Improvement Corporation.

A. Basis of Accounting

The Riverside Community Improvement Corporation prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

23. RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION (Continued)

B. Long-Term Obligations

The change in the CIC's long-term obligations during the year consisted of the following:

| | <u>Balance at 12/31/2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance at 12/31/2011</u> | <u>Due Within One Year</u> |
|---|----------------------------------|---------------|----------------|----------------------------------|--------------------------------|
| 1999 Riverside Community Improvement Corporation Loan - 0.00% \$120,380 | \$109,941 | \$0 | \$109,941 | \$0 | \$0 |

An agreement establishing the 1999 Riverside Community Improvement Corporation Loan was entered into on July 2, 1999, in the amount of \$120,380 for the purpose of paying the cost of acquiring real estate for economic development in the City. The loan was interest free and was repaid to the City via a transfer of the real estate from the Riverside Community Improvement Corporation.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Riverside
Montgomery County, Ohio
1791 Harshman Road
Riverside, Ohio 45424

To the Mayor and City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2012, wherein we noted the City adopted Governmental Accounting Standard 54 *Fund Balance Reporting and Fund Type Definitions* and restated fund balances and net assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our 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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 26, 2012.

We intend this report solely for the information and use of management, City Council and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 26, 2012

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2011-01

MATERIAL WEAKNESS

Monthly Reconciliations

Monthly reconciliations are a basic internal control that should be performed and reviewed in a timely and accurate manner.

The City's Finance Director did not reconcile the City's bank accounts in a timely manner. The December 31, 2011 bank reconciliation was completed in July 2012 and there were no reconciliations performed for any other months of fiscal year 2011. This has the potential to materially misstate the financial statements.

Due to the City not performing monthly bank reconciliations, it was found that the City failed to record a Municipal Highway Cents per Gallon receipt in the amount of \$21,002 that was deposited into the City's bank account in November 2011. The amounts not posted at December 31, 2011 are as follows:

| | |
|---------------------|-----------------|
| Street Fund (202) | \$19,427 |
| State Highway (205) | <u>1,575</u> |
| Total Deposit | <u>\$21,002</u> |

The City posted the Municipal Highway Cents per Gallon receipt in July 2012. As of August 2012, the December 31, 2011 bank reconciliation identified an un-reconciled difference of \$7,533 where the book amount was greater than the bank balance.

Failure to properly reconcile monthly increases the risk of undetected errors, irregularities or fraud occurring and reduces the reliability of financial records.

The City should develop policies and implement procedures to provide that bank reconciliations are completed in a timely manner by the Finance Director and include having an independent review of the bank reconciliations for accuracy and completeness. We also recommend that Council's review of monthly financial reports, including bank reconciliations, are indicated in the minutes.

FINDING NUMBER 2011-02

MATERIAL WEAKNESS

Real Estate Transfer

The City entered into a loan agreement with the Riverside Community Improvement Corporation (CIC). The CIC was repaying the City for the bond anticipation notes issued by the City on its behalf for the purpose of acquiring real estate for economic development within the City. The balance relating to the agreement was \$109,941. The CIC purchased real estate and, on September 12, 2011, transferred ownership to the City as repayment of the loan agreement.

**FINDING NUMBER 2011-02
(Continued)**

The City did not record the transfer of the land. This amount has been adjusted for the December 31, 2011 financial statements. Failure to properly record transactions leads to inaccurate financial statements.

Policies should be established and procedures implemented, such as independent reviews, to determine that financial activity is properly recorded and calculated accurately.

Official's Response:

We did not receive a response from Officials to the comments in this report.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-01 | Material Weakness - Monthly Bank Reconciliations | No | Re-issued as Finding 2011-01. |
| 2010-02 | Material Weakness- Recording Grants in correct period. | Yes | Corrected |

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CITY OF RIVERSIDE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2012**