

CITY OF RIVERSIDE

Montgomery County, Ohio

Regular Audit

January 1, 2004 through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAS, INC.
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Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

City Council
City of Riverside
1791 Harshman Road
Riverside, Ohio 45424

We have reviewed the *Independent Auditor's Report* of the City of Riverside, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Riverside is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 3, 2007

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CITY OF RIVERSIDE
MONTGOMERY COUNTY, OHIO

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

City Council
City of Riverside
1791 Harshman Road
Riverside, Ohio 45424

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, (the City), as of and for the year ended December 31, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2004, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund, Fire Fund, Street Public Service Fund and Police Fund, major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City Council
City of Riverside
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 23, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, and GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers*.



Balestra, Harr & Scherer, CPAs, Inc.
April 4, 2006

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

The discussion and analysis of the City of Riverside's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*," issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ❑ The City's total net assets increased \$777,812, which represents an 8.77 percent increase from 2003.
- ❑ General revenues of governmental activities accounted for \$6,497,679 or 65.86 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,368,559 or 34.14 percent of total revenues of \$9,866,238.
- ❑ The City had \$9,088,426 in expenses related to governmental activities; \$3,368,559 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily income taxes) of \$6,497,679 were more than adequate to provide for these programs.

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.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

The Statement of Net Assets and 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 nonmajor 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 2004?" 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.

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 8. 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, and the Police Fund.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

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.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities		Increase (Decrease)
	2003	2004	
Assets			
Current and Other Assets	\$9,951,328	\$9,350,387	(\$600,941)
Nondepreciable Capital Assets	2,232,199	2,299,561	67,362
Depreciable Capital Assets, Net	2,115,510	3,214,748	1,099,238
Total Assets	14,299,037	14,864,696	565,659
Liabilities			
Current and Other Liabilities	5,123,631	2,729,364	(2,394,267)
Long-Term Liabilities:			
Due Within One Year	128,897	142,230	13,333
Due in More Than One Year	181,535	2,350,316	2,168,781
Total Liabilities	5,434,063	5,221,910	(212,153)
Net Assets			
Invested in Capital Assets, Net Of Related Debt	1,847,709	2,446,046	598,337
Restricted for:			
Capital Outlay	1,276,602	1,139,053	(137,549)
Other Purposes	2,186,154	1,375,089	(811,065)
Unrestricted	3,554,509	4,682,598	1,128,089
Total Net Assets	\$8,864,974	\$9,642,786	\$777,812

A decrease of 6.04 percent occurred within current and other assets of governmental activities when compared to the prior year. Even though several asset accounts had larger increases than the norm, the only asset account which had a real affect on this decrease was a drop in cash and cash equivalents, largely the result of cash carryover spending due to fewer resources available to fund existing programs.

Net depreciable capital assets of governmental activities showed a significant increase of 51.96 percent when compared to the prior year. This increase relates directly to construction in progress from the prior year being completed and put into use within the City.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

Reviewing liabilities demonstrates a 46.73 percent decrease in current and other liabilities while long-term liabilities of the City increased \$2,182,114. These changes are primarily due to the reissuance of bond anticipation notes which are now considered to be long-term obligations rather than short-term obligations as in the prior year.

Invested in Capital Assets, Net of Related Debt of governmental activities increased \$598,337. This is due primarily to the City acquiring land throughout the year.

While the City's restricted net assets do not represent a very significant percentage of overall net assets, restricted net assets, when viewed alone, did experience a substantial decrease of \$948,614. This is the result of an increase in funds with available resources in excess of expenses as compared to the prior year.

Also, for 2004, unrestricted net assets had a significant increase of 31.74 percent. A large percentage of this increase is the result of fewer funds of the City utilizing unrestricted net assets for operations.

Table 2 shows the changes in net assets for the year ended December 31, 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes In Net Assets

	Governmental Activities
Revenues	
Program Revenues:	
Charges for Services	\$1,591,236
Operating Grants and Contributions	891,905
Capital Grants and Contributions	885,418
Total Program Revenues	3,368,559
General Revenues:	
Property Taxes	1,021,575
Income Taxes	4,350,229
Other Local Taxes	254,507
Grants and Entitlements not Restricted to Specific Programs	744,233
Unrestricted Investment Earnings	60,132
Miscellaneous	67,003
Total General Revenues	6,497,679
Total Revenues	\$9,866,238
	<i>(continued)</i>

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

Table 2
Changes in Net Assets
(Continued)

	Governmental Activities
Program Expenses:	
General Government	\$2,166,102
Security of Persons and Property	4,821,590
Public Health Services	6,649
Leisure Time Activities	48,198
Community and Economic Development	429,549
Transportation	1,554,731
Interest and Fiscal Charges	61,607
Total Expenses	9,088,426
Increase in Net Assets	\$777,812

Governmental Activities

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were 34.14 percent of total revenues for 2004.

As previously mentioned, general revenues were 65.86 percent of total revenues for 2004. The 1.5 percent income tax is the largest source of revenue for the City of Riverside, making up 44.09 percent of revenues for governmental activities for the year ended 2004. The City provides full tax credit for income taxes paid to another municipality up to one hundred percent of the City's current tax rate.

Property tax revenue made up 10.35 percent of revenue for governmental activities of the City of Riverside for the year ended 2004. Grants and Entitlements not Restricted to Specific Programs made up 7.54 percent of revenue for governmental activities for a total of 61.98 percent of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

Governmental program expenses as a percentage of total governmental expenses for 2004 are expressed as follows:

General Government	23.83%
Security of Persons And Property	53.05%
Public Health Services	0.07%
Leisure Time Activities	0.53%
Community and Economic Development	4.73%
Transportation	17.11%
Interest And Fiscal Charges	0.68%
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 53.05 percent, is related to the implementation of safety forces. A distant second, 23.83 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 23.12 percent of expenses.

The City's Funds

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,499,123 and expenditures of \$10,271,553. The General Fund balance increased by \$111,389, primarily due to a significant decrease in expenditures relating to a reduction in staff.

The Fire Fund balance increased \$789,957. This was the result of two primary factors; the first being a significant decrease in expenditures relating to safety forces while the second was the issuance of long-term obligations associated with the construction of the new fire station which was put into service during 2004. In the prior year, the debt relating to this bond anticipation note was classified as a fund obligation; thus, fund balance was reduced. However, in the current year, the debt issue met the requirements to be classified as a long-term liability.

The Street/Public Service Fund balance increased \$568,057 relating to a decrease in transportation expenditures as an attempt to conserve finances within the department. For 2004, projects related to street repair, sidewalks, etc. were kept to a minimum.

The Police Fund balance increased \$44,238. This increase was a result of a reduction in expenditures for safety forces within the police department due to a reduction in staff.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

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. During the course of 2004, the City revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenues, in the amount of \$6,720,593, were below original budgeted revenues of \$6,848,234. The difference was due to smaller than anticipated revenue accumulations of income taxes than original expectations.

The increase in expenditures from the original to the final budget was \$118,504. This increase of over 4.42 percent was due primarily to an increase in capital outlay expenditures related to the DAP Facility clean-up project. The difference in actual expenditures made from the final budget was 3.79 percent and was a somewhat insignificant reduction.

Actual General Fund revenues and other financing sources were more than expenditures and other financing uses by \$344,771. This was much improved over what was budgeted and spent in the prior year. Management has made a specific effort of reducing the growth of expenditures from year to year. Expenditures will continue to rise in general but there are actions which can be taken to keep spending in line.

The City's ending unobligated cash balances for the General Fund was \$2,412,836 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2004, the City had \$5,514,309 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$1,166,600 from the prior year. Increases in capital assets included various land acquisitions, building construction, routine machinery and equipment purchases, and street resurfacing. The increase in capital assets is the result of additions for the year exceeding annual depreciation.

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

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2004

Debt

The City's outstanding long-term debt obligations at year-end included bond anticipation notes in the amount of \$2,373,447 for governmental activities. The City also had short-term obligations which included bond anticipation notes in the amount of \$830,000. The City's long-term obligations also included capital leases and compensated absences for governmental activities.

See Notes 14 and 15 of the Notes to the Basic Financial Statements for more detailed information.

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 Finance Director, 1791 Harshman Road, Riverside, Ohio 45424.

City of Riverside
Statement of Net Assets
December 31, 2004

	Primary Government	Component Unit	Total Reporting Entity
	Governmental Activities	Riverside Community Improvement Corporation	
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,344,046	-	\$4,344,046
Accounts Receivable	808,279	-	808,279
Accrued Interest Receivable	9,057	-	9,057
Intergovernmental Receivable	1,150,064	-	1,150,064
Income Taxes Receivable	1,381,568	-	1,381,568
Property Taxes Receivable	1,125,854	-	1,125,854
Other Local Taxes Receivable	69,998	-	69,998
Special Assessments Receivable	341,141	-	341,141
Due from Component Unit	120,380	-	120,380
Real Estate Held for Resale	-	120,380	120,380
Capital Assets:			
Nondepreciable Capital Assets	2,299,561	-	2,299,561
Depreciable Capital Assets, Net	3,214,748	-	3,214,748
Total Assets	14,864,696	120,380	14,985,076
<u>Liabilities:</u>			
Accounts Payable	263,390	-	263,390
Contracts Payable	32,212	-	32,212
Retainage Payable	11,391	-	11,391
Accrued Wages and Benefits Payable	142,662	-	142,662
Intergovernmental Payable	359,231	-	359,231
Deferred Revenue	1,057,116	-	1,057,116
Accrued Vacation Leave Payable	13,363	-	13,363
Accrued Interest Payable	19,999	-	19,999
Notes Payable	830,000	-	830,000
Due to Primary Government	-	120,380	120,380
Long-Term Liabilities:			
Due Within One Year	142,230	-	142,230
Due in More Than One Year	2,350,316	-	2,350,316
Total Liabilities	5,221,910	120,380	5,342,290
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,446,046	-	2,446,046
Restricted for:			
Capital Outlay	1,139,053	-	1,139,053
Other Purposes	1,375,089	-	1,375,089
Unrestricted	4,682,598	-	4,682,598
Total Net Assets	\$9,642,786	-	\$9,642,786

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
General Government	\$2,166,102	\$962,410	\$0
Security of Persons and Property	4,821,590	512,492	144,357
Public Health Services	6,649	1,640	0
Leisure Time Activities	48,198	0	0
Community and Economic Development	429,549	11,217	0
Transportation	1,554,731	103,477	747,548
Interest and Fiscal Charges	61,607	0	0
<i>Total Governmental Activities</i>	<u>\$9,088,426</u>	<u>\$1,591,236</u>	<u>\$891,905</u>
<u>Component Unit</u>			
<i>Riverside Community Improvement Corporation</i>	<u>\$2,203</u>	<u>\$0</u>	<u>\$0</u>

General Revenues:

Property Taxes Levied for:
 General Purposes
 Public Safety
Income Taxes Levied for General Purposes
Other Local Taxes
Grants and Entitlements not Restricted
 to Specific Programs
Unrestricted Investment Earnings
Contributions and Donations
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (See Note 23)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

	Net (Expense) Revenue and Changes in Net Assets			
	Total	Component Unit		
Capital Grants and Contributions	Governmental Activities	Riverside Community Improvement Corporation		Total Reporting Entity
\$0	(\$1,203,692)	\$0		(\$1,203,692)
162,925	(4,001,816)	0		(4,001,816)
0	(5,009)	0		(5,009)
0	(48,198)	0		(48,198)
341,937	(76,395)	0		(76,395)
380,556	(323,150)	0		(323,150)
0	(61,607)	0		(61,607)
\$885,418	(\$5,719,867)	0		(5,719,867)
\$0	0	(2,203)		(2,203)
	370,020	0		370,020
	651,555	0		651,555
	4,350,229	0		4,350,229
	254,507	0		254,507
	744,233	0		744,233
	60,132	0		60,132
	0	2,203		2,203
	67,003	0		67,003
	6,497,679	2,203		6,499,882
	777,812	0		777,812
	8,864,974	0		8,864,974
	\$9,642,786	\$0		\$9,642,786

City of Riverside
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Fire Fund	Street/ Public Service Fund
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,346,724	\$132,353	\$119,960
Receivables:			
Accounts	675,685	132,315	215
Accrued Interest	9,057	0	0
Intergovernmental	349,590	86,184	401,992
Income Taxes	1,381,568	0	0
Property Taxes	483,974	641,880	0
Other Local Taxes	69,998	0	0
Due from Component Unit	0	0	0
Special Assessments	0	0	214,198
Total Assets	\$6,316,596	\$992,732	\$736,365
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts Payable	\$178,308	\$36,026	\$20,787
Contracts Payable	0	401	12,625
Retainage Payable	0	6,065	0
Accrued Wages and Benefits Payable	17,757	32,446	24,286
Intergovernmental Payable	40,842	110,592	34,076
Accrued Interest Payable	0	0	0
Accrued Vacation Leave Payable	3,468	5,034	1,954
Deferred Revenue	2,856,517	828,811	566,403
Notes Payable	0	0	0
Total Liabilities	3,096,892	1,019,375	660,131
<u>Fund Balances:</u>			
Reserved for Encumbrances	42,376	99,211	54,821
Reserved for Due from Component Unit	0	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	3,177,328	0	0
Special Revenue Funds (Deficit)	0	(125,854)	21,413
Capital Projects Funds (Deficit)	0	0	0
Total Fund Balances(Deficit)	3,219,704	(26,643)	76,234
Total Liabilities and Fund Balances	\$6,316,596	\$992,732	\$736,365

See Accompanying Notes to the Basic Financial Statements

<i>Police Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$59,198	\$685,811	\$4,344,046
64	0	808,279
0	0	9,057
10,181	302,117	1,150,064
0	0	1,381,568
0	0	1,125,854
0	0	69,998
0	120,380	120,380
0	126,943	341,141
<u>\$69,443</u>	<u>\$1,235,251</u>	<u>\$9,350,387</u>
\$9,769	\$18,500	\$263,390
0	19,186	32,212
0	5,326	11,391
66,944	1,229	142,662
171,358	2,363	359,231
0	1,175	1,175
2,907	0	13,363
10,181	531,937	4,793,849
0	830,000	830,000
<u>261,159</u>	<u>1,409,716</u>	<u>6,447,273</u>
39,848	115,563	351,819
0	113,905	113,905
0	0	3,177,328
(231,564)	406,177	70,172
0	(810,110)	(810,110)
<u>(191,716)</u>	<u>(174,465)</u>	<u>2,903,114</u>
<u>\$69,443</u>	<u>\$1,235,251</u>	<u>\$9,350,387</u>

City of Riverside
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004

Total Governmental Fund Balances	\$2,903,114
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	2,419,941
Infrastructure	66,581
Other Capital Assets	5,902,953
Accumulated Depreciation	<u>(2,754,786)</u>

Total	5,634,689
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income Taxes	1,319,494
Property Taxes	68,738
Other Local Taxes	66,598
Special Assessments	341,141
Intergovernmental	1,024,679
Accounts	789,383
Interest	<u>6,320</u>

Total	3,616,353
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued Interest	(18,824)
Bond Anticipation Notes Payable	(2,373,447)
Capital Leases Payable	(5,263)
Compensated Absences	<u>(113,836)</u>

Total	<u>(2,511,370)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$9,642,786</u></u>
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See Accompanying Notes to the Basic Financial Statements

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City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	<i>General Fund</i>	<i>Fire Fund</i>	<i>Street/ Public Service Fund</i>
<u>Revenues:</u>			
Income Taxes	\$3,944,258	\$0	\$0
Property Taxes	390,298	684,823	0
Other Local Taxes	242,736	0	0
Special Assessments	0	0	22,642
Intergovernmental	967,128	49,020	796,836
Charges for Services	979,080	463,345	103,477
Licenses and Permits	33,004	0	0
Fines and Forfeitures	0	32	0
Interest	64,376	0	0
Contributions and Donations	0	1,823	0
Miscellaneous	15,328	11,999	15,182
<i>Total Revenues</i>	<u>6,636,208</u>	<u>1,211,042</u>	<u>938,137</u>
<u>Expenditures:</u>			
Current Operations and Maintenance:			
General Government	2,121,526	0	0
Security of Persons and Property	36,060	1,568,515	0
Public Health Services	0	0	0
Leisure Time Activities	35,515	0	0
Community and Economic Development	213,850	0	0
Transportation	0	0	842,618
Capital Outlay	211,588	667,294	344,058
Debt Service:			
Principal Retirement	1,074	0	19,720
Interest and Fiscal Charges	468	16,885	10,784
<i>Total Expenditures</i>	<u>2,620,081</u>	<u>2,252,694</u>	<u>1,217,180</u>
Excess of Revenues Over (Under) Expenditures	<u>4,016,127</u>	<u>(1,041,652)</u>	<u>(279,043)</u>
<u>Other Financing Sources (Uses):</u>			
Issuance Of Notes	0	1,350,000	96,000
Payment Of Notes	0	0	0
Inception Of Capital Lease	6,337	0	0
Transfers In	30,691	481,609	751,100
Transfers Out	(3,941,766)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,904,738)</u>	<u>1,831,609</u>	<u>847,100</u>
<i>Net Change in Fund Balance</i>	111,389	789,957	568,057
<i>Fund Balances (Deficit) at Beginning of Year - Restated (Note 23)</i>	<u>3,108,315</u>	<u>(816,600)</u>	<u>(491,823)</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$3,219,704</u></u>	<u><u>(\$26,643)</u></u>	<u><u>\$76,234</u></u>

See Accompanying Notes to the Basic Financial Statements

<i>Police Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$0	\$0	\$3,944,258
0	0	1,075,121
0	0	242,736
0	175,105	197,747
8,878	403,103	2,224,965
0	44,690	1,590,592
0	0	33,004
50,337	0	50,369
0	0	64,376
7,245	0	9,068
18,440	5,938	66,887
<u>84,900</u>	<u>628,836</u>	<u>9,499,123</u>
0	0	2,121,526
2,593,290	196,863	4,394,728
0	6,491	6,491
0	0	35,515
0	60,185	274,035
0	184,063	1,026,681
2,333	1,121,599	2,346,872
0	0	20,794
0	16,774	44,911
<u>2,595,623</u>	<u>1,585,975</u>	<u>10,271,553</u>
<u>(2,510,723)</u>	<u>(957,139)</u>	<u>(772,430)</u>
0	883,000	2,329,000
0	(120,000)	(120,000)
0	0	6,337
2,554,961	236,208	4,054,569
0	(112,803)	(4,054,569)
<u>2,554,961</u>	<u>886,405</u>	<u>2,215,337</u>
44,238	(70,734)	1,442,907
<u>(235,954)</u>	<u>(103,731)</u>	<u>1,460,207</u>
<u>(\$191,716)</u>	<u>(\$174,465)</u>	<u>\$2,903,114</u>

City of Riverside
 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, 2004

Net Change in Fund Balances - Total Governmental Funds \$1,442,907

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 Asset Additions	1,565,181	
Depreciation	(398,581)	
Excess of Capital Outlay over Depreciation Expense		1,166,600

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (6,337)

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	405,971	
Property Taxes	(53,546)	
Other Local Taxes	11,771	
Special Assessments	186,532	
Intergovernmental	(96,756)	
Charges for Services	(95,657)	
Fines and Forfeitures	12,928	
Miscellaneous	116	
Accrued Interest	(4,244)	
		367,115

Bond 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 bond anticipation notes (2,329,000)

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:

Bond Anticipation Notes Payable Payments	139,720	
Capital Lease Payments	1,074	
		140,794

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 (16,696)

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:

Decrease in Compensated Absences		12,429

Change in Net Assets of Governmental Activities \$777,812

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<u>Revenues:</u>				
Income Taxes	\$4,417,124	\$4,321,785	\$4,249,545	(\$72,240)
Property Taxes	408,476	419,830	390,298	(29,532)
Other Local Taxes	251,577	246,147	244,114	(2,033)
Intergovernmental	795,773	778,597	983,056	204,459
Charges for Services	884,458	865,368	979,080	113,712
Licenses and Permits	31,659	30,976	31,244	268
Interest	50,744	49,649	55,857	6,208
Miscellaneous	8,423	8,241	12,481	4,240
<i>Total Revenues</i>	<u>6,848,234</u>	<u>6,720,593</u>	<u>6,945,675</u>	<u>225,082</u>
<u>Expenditures:</u>				
Current Operations and Maintenance:				
General Government	2,242,522	2,219,526	2,150,350	69,176
Security of Persons and Property	84,809	84,809	37,602	47,207
Leisure Time Activities	41,969	41,969	38,464	3,505
Community and Economic Development	268,956	268,956	227,734	41,222
Capital Outlay	39,112	180,612	235,679	(55,067)
<i>Total Expenditures</i>	<u>2,677,368</u>	<u>2,795,872</u>	<u>2,689,829</u>	<u>106,043</u>
Excess of Revenues Over Expenditures	<u>4,170,866</u>	<u>3,924,721</u>	<u>4,255,846</u>	<u>331,125</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	30,691	30,691
Transfers Out	(4,269,221)	(5,992,786)	(3,941,766)	2,051,020
Total Other Financing Sources (Uses)	<u>(4,269,221)</u>	<u>(5,992,786)</u>	<u>(3,911,075)</u>	<u>2,081,711</u>
Net Change in Fund Balance	(98,355)	(2,068,065)	344,771	2,412,836
Fund Balance at Beginning of Year	2,862,500	2,862,500	2,862,500	0
Prior Year Encumbrances	107,391	107,391	107,391	0
Fund Balance at End of Year	<u>\$2,871,536</u>	<u>\$901,826</u>	<u>\$3,314,662</u>	<u>\$2,412,836</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2004

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<u>Revenues:</u>				
Property Taxes	\$727,853	\$745,628	\$684,823	(\$60,805)
Intergovernmental	5,337	5,000	57,000	52,000
Charges for Services	469,636	440,000	449,195	9,195
Fines and Forfeitures	0	0	32	32
Contributions and Donations	0	0	1,823	1,823
Miscellaneous	10,583	9,915	11,999	2,084
<i>Total Revenues</i>	<u>1,213,409</u>	<u>1,200,543</u>	<u>1,204,872</u>	<u>4,329</u>
<u>Expenditures:</u>				
Current Operations and Maintenance:				
Security of Persons and Property	2,549,669	2,549,669	1,640,126	909,543
Capital Outlay	0	23,851	883,019	(859,168)
Debt Service:				
Principal Retirement	1,503,714	1,503,714	1,500,000	3,714
Interest and Fiscal Charges	21,866	21,866	21,866	0
<i>Total Expenditures</i>	<u>4,075,249</u>	<u>4,099,100</u>	<u>4,045,011</u>	<u>54,089</u>
Excess of Revenues Under Expenditures	<u>(2,861,840)</u>	<u>(2,898,557)</u>	<u>(2,840,139)</u>	<u>58,418</u>
<u>Other Financing Sources (Uses):</u>				
Issuance of Notes	1,440,927	1,350,000	1,350,000	0
Transfers In	511,675	479,387	481,609	2,222
Total Other Financing Sources (Uses)	<u>1,952,602</u>	<u>1,829,387</u>	<u>1,831,609</u>	<u>2,222</u>
Net Change in Fund Balance	(909,238)	(1,069,170)	(1,008,530)	60,640
Fund Balance at Beginning of Year	82,209	82,209	82,209	0
Prior Year Encumbrances	936,623	936,623	936,623	0
Fund Balance (Deficit) at End of Year	<u>\$109,594</u>	<u>(\$50,338)</u>	<u>\$10,302</u>	<u>\$60,640</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
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, 2004

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<i>Revenues:</i>				
Special Assessments	\$0	\$0	\$22,642	\$22,642
Intergovernmental	728,802	745,598	797,361	51,763
Charges for Services	146,621	150,000	103,477	(46,523)
Miscellaneous	21,804	22,306	15,073	(7,233)
<i>Total Revenues</i>	<u>897,227</u>	<u>917,904</u>	<u>938,553</u>	<u>20,649</u>
<i>Expenditures:</i>				
Current Operations and Maintenance:				
Transportation	1,211,223	1,251,555	910,883	340,672
Capital Outlay	37,000	120,435	350,363	(229,928)
Debt Service:				
Principal Retirement	730,559	730,559	729,720	839
Interest and Fiscal Charges	12,552	12,552	12,552	0
<i>Total Expenditures</i>	<u>1,991,334</u>	<u>2,115,101</u>	<u>2,003,518</u>	<u>111,583</u>
Excess of Revenues Under Expenditures	<u>(1,094,107)</u>	<u>(1,197,197)</u>	<u>(1,064,965)</u>	<u>132,232</u>
<i>Other Financing Sources:</i>				
Issuance of Notes	0	0	96,000	96,000
Transfers In	835,683	854,943	751,100	(103,843)
Total Other Financing Sources	<u>835,683</u>	<u>854,943</u>	<u>847,100</u>	<u>(7,843)</u>
Net Change in Fund Balance	(258,424)	(342,254)	(217,865)	124,389
Fund Balance at Beginning of Year	8	8	8	0
Prior Year Encumbrances	<u>258,422</u>	<u>258,422</u>	<u>258,422</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$6</u></u>	<u><u>(\$83,824)</u></u>	<u><u>\$40,565</u></u>	<u><u>\$124,389</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2004

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<u>Revenues:</u>				
Intergovernmental	\$0	\$0	\$8,878	\$8,878
Fines and Forfeitures	32,602	31,932	50,337	18,405
Contributions and Donations	153	150	7,245	7,095
Miscellaneous	16,134	15,802	31,062	15,260
<i>Total Revenues</i>	<u>48,889</u>	<u>47,884</u>	<u>97,522</u>	<u>49,638</u>
<u>Expenditures:</u>				
Current Operations and Maintenance:				
Security of Persons and Property	2,641,648	2,673,898	2,651,860	22,038
Capital Outlay	4,000	4,000	2,333	1,667
<i>Total Expenditures</i>	<u>2,645,648</u>	<u>2,677,898</u>	<u>2,654,193</u>	<u>23,705</u>
Excess of Revenues Under Expenditures	(2,596,759)	(2,630,014)	(2,556,671)	73,343
<u>Other Financing Sources:</u>				
Transfers In	2,608,599	2,554,961	2,554,961	0
Net Change in Fund Balance	11,840	(75,053)	(1,710)	73,343
Fund Balance at Beginning of Year	9,566	9,566	9,566	0
Prior Year Encumbrances	3,163	3,163	3,163	0
Fund Balance (Deficit) at End of Year	<u>\$24,569</u>	<u>(\$62,324)</u>	<u>\$11,019</u>	<u>\$73,343</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2004

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$10,000</u></u>
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Liabilities:

Undistributed Assets	<u><u>\$10,000</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Riverside
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 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.

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, and leisure time activities. 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 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 component unit column in the government-wide financial statements identifies the financial data of the City's discretely presented component unit, the Riverside Community Improvement Corporation. The Riverside Community Improvement Corporation is reported separately to emphasize that is legally separate from the City.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY *(continued)*

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 provides 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. Based upon the significant services and resources provided by the City to the Riverside Community Improvement Corporation, the CIC is presented as a component unit of the City. The Riverside Community Improvement Corporation operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Riverside Community Improvement Corporation, 1791 Harshman Road, Riverside, Ohio, 45424.

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 18, 19, and 20 to the Basic Financial Statements.

The information in Notes 2 through 24 relate to the primary government. Information related to the discretely presented component unit is presented in Note 25.

NOTE 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.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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. Nonmajor 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.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 all financial resources except those required to be 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.

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

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

Police Fund – This fund accounts for monies received from fines generated through safety enforcement within the City and transfers from the General Fund to finance the police department.

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

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 reporting government 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 has 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.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C. Measurement Focus

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.

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 statements 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.

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 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 thirty-one days of year-end.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property 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 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.

Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but were levied to finance 2005 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.

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
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 resolution 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 force at the time final appropriations were passed by Council.

The appropriations resolution 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 resolution 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.

F. Cash and Cash Equivalents

Cash balances of the City's funds, except cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's share of the pool is presented on the Balance Sheet in the account "Equity in Pooled Cash and Cash Equivalents."

During the year, investments were limited to STAROhio, repurchase agreements, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Discount Notes, Federal National Mortgage Association Bonds, and United State Treasury Notes. Except for nonparticipating investment contracts, such as repurchase agreements, investments are reported at fair value which is based on quoted market prices.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The City has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during 2004. 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 not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2004 amounted to \$64,376, which includes \$21,426 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 reported as cash equivalents on the financial statements.

G. 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 two hundred and fifty dollars. 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 for land and construction in process 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

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The City's infrastructure consists of streets. For 2004, the City reported infrastructure for the first time. The City has reported only the amounts acquired in 2004. The City plans to report prior years' amounts in future years.

H. 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.

I. 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. Notes payable, loans payable, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

J. Reserves of Fund Balance

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and loans receivable.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

K. Interfund Transactions

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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

L. 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, improving the living environment of the City, the operation of police programs, and the City's street repair/improvement programs.

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

M. 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.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2004, the Fire, Police, and Victims of Crime Act Special Revenue Funds and the Riverside Business Park and General Equipment Replacement Capital Projects Funds had deficit fund balances of \$26,643, \$191,716, \$932, \$645,683, and \$130,184, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficits in the Riverside Business Park and the General Equipment Replacement Capital Projects Funds were the result of the requirement to report bond anticipation notes in the fund which received the note proceeds. These deficits will be alleviated when the notes are paid.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE *(continued)*

B. Compliance

The following funds had original appropriations in excess of original estimated revenues and available fund balances for the year ended December 31, 2004:

<u>Fund Type / Name</u>	<u>Original Estimated Revenues and Available Fund Balances</u>	<u>Original Appropriations</u>	<u>Excess</u>
<i>Capital Projects Funds:</i>			
Ohio Public Works Issue II	\$175,605	\$210,857	(\$35,252)
CDBG/Floral Park Project	255,714	256,750	(1,036)
Public Service Replacement	0	77,000	(77,000)

The following funds had final appropriations in excess of final estimated revenues and available fund balances for the year ended December 31, 2004:

<u>Fund Type / Name</u>	<u>Final Estimated Revenues and Available Fund Balances</u>	<u>Final Appropriations</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
Fire	\$4,048,762	\$4,099,100	(\$50,338)
Street/Public Service	2,031,277	2,115,101	(83,824)
Police	2,615,574	2,677,898	(62,324)
Federal Grants	30,690	47,860	(17,170)
Victims of Crime Act	43,847	45,453	(1,606)
DAP Facilities	915,307	932,557	(17,250)
<i>Capital Projects Funds:</i>			
Riverside Business Park	891,601	893,792	(2,191)
CDBG/Floral Park Project	1,085	256,750	(255,665)
General Equipment Replacement	183,231	183,500	(269)
Public Service Replacement	76,477	77,000	(523)

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE *(continued)*

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2004:

Fund Type / Name	Appropriations	Expenditures plus Encumbrances	Excess
<i>General Fund:</i>			
Capital Outlay	\$180,612	\$235,679	(\$55,067)
<i>Special Revenue Funds:</i>			
Fire			
Capital Outlay	23,851	883,019	(859,168)
Street / Public Service			
Capital Outlay	120,435	350,363	(229,928)
Permissive Tax			
Capital Outlay	100,000	101,581	(1,581)
DAP Facilities			
Capital Outlay	840,772	848,800	(8,028)
<i>Capital Projects Fund:</i>			
Riverside Business Park			
Community and Economic Development	2,500	58,185	(55,685)

The City will monitor budgetary controls more closely in the future to alleviate such compliance issues.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations 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 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING *(continued)*

- (c) Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) 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.

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 major Special Revenue Funds is as follows:

Net Change in Fund Balance				
	General Fund	Fire Fund	Street / Public Service Fund	Police Fund
GAAP Basis	\$111,389	\$789,957	\$568,057	\$44,238
Increases (Decreases) Due To:				
Revenue Accruals	348,532	(6,170)	416	12,622
Expenditure Accruals	(16,571)	(170,266)	22,777	(10,391)
Encumbrances	(53,177)	(122,051)	(79,395)	(48,179)
Debt Service - Principal Retirement	0	(1,500,000)	(729,720)	0
Unrecorded Cash - 2003	(66,517)	0	0	0
Unrecorded Cash - 2004	21,115	0	0	0
Budget Basis	\$344,771	(\$1,008,530)	(\$217,865)	(\$1,710)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies 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.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the City had \$250 in undeposited cash on hand which is included on the balance sheet of the City as part of “Equity in Pooled Cash and Cash Equivalents”.

At year-end, the carrying amount of the City’s deposits was \$1,513,570, and the bank balance was \$1,670,077. Of the bank balance, \$202,153 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions’ trust departments in the City’s name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

GASB Statement No. 3, “*Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*” requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name. Investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Unclassified</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying/Fair Value</u>
STAROhio	\$603,146	\$0	\$0	\$603,146
Repurchase Agreements	0	0	210,942	210,942
Federal Home Loan Bank Bonds	0	314,374	0	314,374
Federal Farm Credit Bank Bonds	0	160,016	0	160,016
Federal Home Loan Mortgage Corporation Bonds	0	852,547	0	852,547
Federal National Mortgage Association Discount Notes	0	104,717	0	104,717
Federal National Mortgage Association Bonds	0	484,935	0	484,935
United States Treasury Notes	0	109,549	0	109,549
Totals	<u>\$603,146</u>	<u>\$2,026,138</u>	<u>\$210,942</u>	<u>\$2,840,226</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, “*Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting.*”

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

A reconciliation between classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,354,046	\$0
Cash on Hand	(250)	0
Investments:		
STAROhio	(603,146)	603,146
Repurchase Agreements	(210,942)	210,942
Federal Home Loan Bank Bonds	(314,374)	314,374
Federal Farm Credit Bank Bonds	(160,016)	160,016
Federal Home Loan Mortgage Corporation Bonds	(852,547)	852,547
Federal National Mortgage Association Discount Notes	(104,717)	104,717
Federal National Mortgage Association Bonds	(484,935)	484,935
United States Treasury Notes	(109,549)	109,549
GASB Statement No. 3	\$1,513,570	\$2,840,226

NOTE 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.

If a resident does not file their income tax within ten days after the filing deadline, interest of one and one-half percent will be charged. After ten days, in addition to the interest, a penalty of the greater of one and one-half percent or twenty-five dollars will also be charged. The City has the right to waive the interest and penalty.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 6 – MUNICIPAL INCOME TAX *(continued)*

The City employs the Regional Income Tax Agency (RITA), a third party, to collect the income tax for the City. RITA withholds a fee of two and one-half percent of the taxes collected and submits monthly statements to the City of the amount of taxes collected, the fee for the period, and the net collection amount. The statements are remitted one month behind; therefore, December's collections will be remitted to the City in January.

NOTE 7 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 7 – PROPERTY TAX *(continued)*

The full tax rate for all City operations for the year ended December 31, 2004, was \$6.39 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$204,331,090
Commercial/Industrial/Mineral	51,965,180
Tangible Personal Property:	
General	10,757,930
Public Utility Real	8,293,240
Total Assessed Value	<u><u>\$275,347,440</u></u>

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

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, 2004, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations, and the collection 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.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 8 – RECEIVABLES

Receivables at December 31, 2004, consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, loans, and special assessments. All receivables are considered fully collectible. Special assessments expected to be collected in more than one year for the City amount to \$169,927. The City has \$344 in delinquent special assessments at December 31, 2004.

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 is for \$120,380. The balance relating to this agreement at December 31, 2004, is \$120,380, and is shown as “Due from Component Unit” on the financial statements. \$6,475 is expected to be collected in 2005.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
EDGE Dap Demolition Grant	\$45,052
Montgomery County Pavement Repairs Funding	56,435
Permissive Tax County - Beatrice Drive Grant	237,163
Permissive Tax	10,876
Victims of Crime Grant	23,233
Homestead and Rollback	66,479
Foreign County Estate Tax	3
Cents Per Gallon	130,109
Gasoline Tax	156,348
Motor Vehicle License Tax	87,188
Local Government	248,140
Local Government Revenue Assistance	48,530
Undivided State Local Government	25,796
Liquor and Permit Fees	1,774
Miscellaneous	12,938
Total Intergovernmental Receivable	<u><u>\$1,150,064</u></u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004, was as follows:

	Restated Balance At 12/31/2003	Additions	Deletions	Balance At 12/31/2004
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$1,456,023	\$843,538	\$0	\$2,299,561
Construction in Progress	776,176	571,238	(1,347,414)	0
Total Capital Assets Not Being Depreciated	<u>2,232,199</u>	<u>1,414,776</u>	<u>(1,347,414)</u>	<u>2,299,561</u>
Depreciable Capital Assets:				
Land Improvements	115,294	0	0	115,294
Buildings and Building Improvements	620,725	1,347,414	0	1,968,139
Machinery and Equipment	1,212,567	83,824	0	1,296,391
Vehicles	2,523,129	0	0	2,523,129
Infrastructure	0	66,581	0	66,581
Total Depreciable Capital Assets	<u>4,471,715</u>	<u>1,497,819</u>	<u>0</u>	<u>5,969,534</u>
Less Accumulated Depreciation:				
Land Improvements	(44,764)	(4,670)	0	(49,434)
Buildings and Building Improvements	(254,472)	(45,368)	0	(299,840)
Machinery and Equipment	(592,514)	(92,514)	0	(685,028)
Vehicles	(1,464,455)	(252,700)	0	(1,717,155)
Infrastructure	0	(3,329)	0	(3,329)
Total Accumulated Depreciation	<u>(2,356,205)</u>	<u>(398,581)</u>	<u>0</u>	<u>(2,754,786)</u>
Depreciable Capital Assets, Net	<u>2,115,510</u>	<u>1,099,238</u>	<u>0</u>	<u>3,214,748</u>
Governmental Activities Capital Assets, Net	<u>\$4,347,709</u>	<u>\$2,514,014</u>	<u>(\$1,347,414)</u>	<u>\$5,514,309</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$19,912
Security of Persons and Property	278,414
Public Health	158
Leisure Time Activities	19,740
Community Development	65
Transportation	80,292
Total Depreciation Expense	<u>\$398,581</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2004, 2003, and 2002 were \$127,487, \$142,921 and \$126,448, respectively; 88.59 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$542 made by the City of Riverside and \$340 made by the plan members.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 10 – DEFINED BENEFIT PENSION PLANS *(continued)*

B. Ohio Police and Fire Pension Fund

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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for the years ended December 31, 2004, 2003, and 2002 were \$264,622, \$297,816, and \$275,870, respectively. The full amount has been contributed for 2003 and 2002. 70.98 percent has been contributed for 2004 with the remainder being reported as a liability.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$53,398. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$92,130 for police and \$59,587 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accrued at levels which depend upon years of service. However, employees covered by the personnel policy of the City cannot carryover any accrued vacation. These employees are paid annually for any remaining vacation balances existing at year-end. The remaining City employees covered by the additional policies of the City are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at rates which vary depending upon specified personnel policies and union contracts. In case of death or 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 and vision benefits from United Healthcare of Ohio. The City pays 90 percent 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 Jefferson Pilot Life. 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 employees receive \$30,000 in coverage.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 12 – EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan, Aetna, 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 plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE

During 2004, the City has entered into a capitalized lease for a copier. 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 \$6,337 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 2004 totaled \$1,074 in the governmental funds.

The assets acquired through the capital lease as of December 31, 2004, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copier Equipment	\$6,337	\$1,267	\$5,070

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2004:

Year Ending December 31,	Amount
2005	\$1,542
2006	1,542
2007	1,542
2008	1,542
Total	6,168
Less: Amount representing Interest	(905)
Present Value of Minimum Lease Payments	\$5,263

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City’s long-term obligations during the year consisted of the following:

	Balance at December 31, 2003	Issued	Retired	Balance at December 31, 2004	Due Within One Year
<u>Governmental Activities:</u>					
<u>Bond Anticipation Notes Payable:</u>					
2001 Sidewalk Special Assessment Bond Anticipation Note - 4.98% \$73,500	\$46,222	\$0	\$14,665	\$31,557	\$15,395
2002 Sidewalk Special Assessment Bond Anticipation Note - 3.23% \$23,000	17,945	0	5,055	12,890	5,055
2003 Real Estate Acquisition Bond Anticipation Note - 1.65% \$120,000	120,000	0	120,000	0	0
2004 Sidewalk Special Assessment Bond Anticipation Note - 3.05% \$96,000	0	96,000	0	96,000	18,064
2004 Real Estate Acquisition Bond Anticipation Note - 2.25% \$763,000	0	763,000	0	763,000	0
2004 Fire Station Bond Anticipation Note - 2.09% \$1,350,000	0	1,350,000	0	1,350,000	0
2004 Real Estate Acquisition Bond Anticipation Note - 1.70% \$120,000	0	120,000	0	120,000	0
Total Bond Anticipation Notes Payable	<u>184,167</u>	<u>2,329,000</u>	<u>139,720</u>	<u>2,373,447</u>	<u>38,514</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	126,265	281,648	294,077	113,836	102,553
Capital Leases Payable	0	6,337	1,074	5,263	1,163
Total Other Long-Term Obligations	<u>126,265</u>	<u>287,985</u>	<u>295,151</u>	<u>119,099</u>	<u>103,716</u>
Total Governmental Activities	<u>\$310,432</u>	<u>\$2,616,985</u>	<u>\$434,871</u>	<u>\$2,492,546</u>	<u>\$142,230</u>

The 2001 Sidewalk Special Assessment Bond Anticipation Note was issued on September 6, 2001, in the amount of \$73,500 for the purpose of paying the cost of making sidewalk improvements in the City. The note was issued at a 4.98 percent interest rate and will reach maturity on September 6, 2006. The notes will be paid from the Street / Public Service Special Revenue Fund using special assessment revenues. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

The 2002 Sidewalk Special Assessment Bond Anticipation Note was issued on December 5, 2002, in the amount of \$23,000 for the purpose of paying the cost of making sidewalk improvements in the City. The note was issued at a 3.23 percent interest rate and will reach maturity on December 5, 2007. The notes will be paid from the Street / Public Service Special Revenue Fund using special assessment revenues. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

The 2003 Real Estate Acquisition Bond Anticipation Note was issued on May 9, 2003, in the amount of \$120,000 for the purpose of paying the cost of acquiring real estate for economic development in the City. The note was issued at a 1.65 percent interest rate and matured on May 7, 2004, and was reissued in the amount of \$120,000 at an interest rate of 1.70 percent. The reissued note will mature on May 6, 2005. The note will be paid from the Riverside Business Park Capital Projects Fund.

The 2004 Sidewalk Special Assessment Bond Anticipation Note was issued on May 7, 2004, in the amount of \$96,000 for the purpose of paying the cost of making sidewalk improvements in the City. The note was issued at a 3.05 percent interest rate and will reach maturity on May 7, 2009. The notes will be paid from the Street / Public Service Special Revenue Fund using special assessment revenues. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

The 2004 Real Estate Acquisition Bond Anticipation Note was issued on October 28, 2004, in the amount of \$763,000 for the purpose of paying the cost of acquiring real estate for economic development in the City. The note was issued at a 2.25 percent interest rate and will reach maturity on October 27, 2005. The note will be paid from the DAP Facilities Special Revenue Fund.

The 2004 Fire Station Bond Anticipation Note was issued on July 28, 2004, in the amount of \$1,350,000 for the purpose of paying the cost of constructing, installing, and equipping a firehouse in the City. The note was issued at a 2.09 percent interest rate and will reach maturity on May 7, 2005. The note will be paid from the Fire Special Revenue Fund.

Compensated absences will be paid from the General Fund and the Fire, Street / Public Service, and Police Special Revenue Funds. Capital lease obligations will be paid from the General Fund.

The City's overall legal debt margin was \$25,708,034 and the unvoted legal debt margin was \$11,940,662 at December 31, 2004.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

Principal and interest requirements to retire the City's outstanding long-term notes at December 31, 2004, were:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$2,271,514	\$52,526	\$2,324,040
2006	39,832	3,641	43,473
2007	21,963	2,120	24,083
2008	19,768	1,224	20,992
2009	20,370	622	20,992
Total	<u>\$2,373,447</u>	<u>\$60,133</u>	<u>\$2,433,580</u>

NOTE 15 – SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2004, follows:

<u>Types/Issues</u>	<u>Balance at December 31, 2003</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at December 31, 2004</u>
2003 General Equipment Replacement Bond				
Anticipation Note - 1.80% \$180,000	\$180,000	\$0	\$180,000	\$0
2003 Business Park Infrastructure Bond				
Anticipation Note - 1.64% \$700,000	700,000	0	700,000	0
2003 Fire Station Bond Anticipation				
Note - 1.32% \$650,000	650,000	0	650,000	0
2003 Sidewalk Bond Anticipation Note -				
1.55% \$212,000	212,000	0	212,000	0
2003 Sidewalk Bond Anticipation Note -				
1.59% \$498,000	498,000	0	498,000	0
2003 Fire Station Bond Anticipation Note -				
1.64% \$850,000	850,000	0	850,000	0
2004 General Equipment Replacement Bond				
Anticipation Note - 2.45% \$130,000	0	130,000	0	130,000
2004 Business Park Infrastructure Bond				
Anticipation Note - 2.46% \$700,000	0	700,000	0	700,000
Total Governmental Activities	<u>\$3,090,000</u>	<u>\$830,000</u>	<u>\$3,090,000</u>	<u>\$830,000</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 15 – SHORT-TERM OBLIGATIONS *(continued)*

The 2003 Fire Station Bond Anticipation Notes issued in the amounts of \$650,000 and \$850,000 were retired during 2004 and reissued and presented as long-term liabilities within the basic financial statements.

The 2003 Sidewalk Bond Anticipation Notes in the amounts of \$212,000 and \$498,000 were retired during 2004. These notes had been issued for the purpose of paying the cost of making sidewalk improvements in the City.

On December 10, 2004, the City issued a 2.45 percent General Equipment Replacement Bond Anticipation Note, Series 2004, in the amount of \$130,000. The note will mature on December 9, 2005. The note was used to repay the General Equipment Replacement Bond Anticipation Note that was issued on December 5, 2003 and matured on December 4, 2004. The remaining balance was issued for the purpose of acquiring a street sweeper, mowers, and pickup trucks for use in the City and renovating the City administration building. The note will be paid from the General Equipment Replacement Capital Projects Fund.

On December 10, 2004, the City issued a 2.46 percent Business Park Infrastructure Note, Series 2004 in the amount of \$700,000. The notes will mature on December 9, 2005. The note was issued to repay the Business Park Infrastructure Note that was issued on December 5, 2003 and matured on December 4, 2004. The note will be paid from the Riverside Business Park Capital Projects Fund.

NOTE 16 – 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. During 2004, the City participated in the Public Entities Pool of Ohio (PEP), a risk sharing pool. The purpose of PEP is to enable the subscribing political subdivisions to pool risk for property, liability and public official liability. PEP is a corporation governed by a seven member board of directors, consisting of representatives elected by the participating local governments.

Political subdivisions joining PEP may withdraw at the end of any coverage period upon 60 days prior written notice to PEP. Under the agreement, members who terminate participation in PEP as well as current members, are subject to a supplemental assessment or a refund at the discretion of the board of directors, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds, due to the limited period of time that PEP has been in existence and the nature of the coverage that is afforded to the participants.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 16 – RISK MANAGEMENT *(continued)*

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 2004, the City of Riverside made premium payments of \$121,034 to PEP. There was no required surplus contribution in 2004.

The agreement provides that PEP will be self-sustaining through member premiums. The types of coverage and deductibles per occurrence are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$2,000,000	\$0
Public Official	2,000,000	5,000
Municipal Automobile Liability	2,000,000	500
Municipal Automobile Physical Damage	2,000,000	500 - 1,000
Police Professional Liability	2,000,000	5,000

PEP retains general, automobile, police professional and public official’s liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$2,000,000 in aggregate per year.

Automobile physical damage risks are retained by PEP up to \$25,000 for each accident and location. Reinsurance coverage is provided at different levels depending on the type of vehicle.

All property risks, which include physical damage coverage on specialized-use vehicles (fire trucks and emergency vehicles), are fully reinsured. Property risks up to \$25,000 are reinsured on an individual-member basis.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from last year.

Professional liability is protected by the Ohio Casualty Insurance Company. Performance bonds for employees range from \$10,000 to \$50,000 with specific bonds for the Finance Director.

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

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 17 – INTERFUND ACTIVITY

Transfers made during the year ended December 31, 2004, were as follows:

Transfers From	Transfers To					
	General Fund	Fire Fund	Street / Public Service Fund	Police Fund	Nonmajor Governmental Funds	Total
	General Fund	\$0	\$481,609	\$751,100	\$2,554,961	\$154,096
Nonmajor Governmental Funds	30,691	0	0	0	82,112	112,803
Total	\$30,691	\$481,609	\$751,100	\$2,554,961	\$236,208	\$4,054,569

Transfers to the General Fund from nonmajor governmental funds were made to close out the Federal Grants Special Revenue Fund for which the General Fund provided the local matches. Transfers from nonmajor governmental funds to nonmajor governmental funds were made to provide monies to the DAP Facilities Special Revenue Fund for economic development purposes and to the Riverside Business Park Capital Projects Fund for capital expenditures. All other transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 18 – 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 2004. Financial information may be obtained by writing to P. Michael Robinette, Executive Director, 40 West Fourth Street, Dayton, Ohio 45402.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS *(continued)*

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 contributed \$5,651 for the operation of the Alliance during 2004. Financial information may be obtained by writing to Mike Caudill, Director, at 444 West Third Street, Suite 13-204, 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.

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 eleven 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 was not required to make any contributions to ED/GE during 2004. Financial information may be obtained by writing to Linda Gum, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 19 - 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. During 2004, the City donated \$1,600 to the operation of various organizations associated with the RHS.

NOTE 20 - 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.

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
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 21 – CONTINGENT LIABILITIES

A. Litigation

The City of Riverside is a party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2004, to December 31, 2004, 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.

NOTE 22 – SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2004, the significant outstanding contractual commitments are:

<u>Project/Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at December 31, 2004</u>
TEC Engineering	\$9,500	\$5,100	\$4,400
Floyd Browne Associates, Inc.	4,400	1,685	2,715
Totals	<u>\$13,900</u>	<u>\$6,785</u>	<u>\$7,115</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 23 – CHANGE IN ACCOUNTING PRINCIPLE

For 2004, the City has implemented GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*,” GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*”, GASB Statement No. 41, “*Budgetary Comparison Schedules - Perspective Differences.*”, GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”, and GASB Technical Bulletin No. 2004-02, “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers*”.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, “*The Financial Reporting Entity*”. The implementation of this new statement had no effect on the City’s financial statements for fiscal year 2004.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the General and major Special Revenue Funds. The implementation of this statement had no effect on the presentation of budgetary statements by the City for 2004.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 23 – CHANGE IN ACCOUNTING PRINCIPLE *(continued)*

During 2004, there were restatements of fund equity for accounting changes related to prior year accrual balances. Also for 2004, errors were discovered that related to the understatement of income taxes receivable and accounts payable in prior years. These restatements and the implementation of GASB Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General Fund	Fire Fund	Street/ Public Service Fund
Fund Balances (Deficit) December 31, 2003	\$3,151,862	(\$778,554)	(\$481,403)
Interpretation No. 6	127	1,350	1,399
Technical Bulletin No. 2004-2	(13,979)	(39,396)	(11,819)
Accounts Payable	(29,695)	0	0
Adjusted Fund Balances (Deficit) December 31, 2003	<u>\$3,108,315</u>	<u>(\$816,600)</u>	<u>(\$491,823)</u>

	Police Fund	Nonmajor Funds	Total
Fund Balances (Deficit) December 31, 2003	(\$187,342)	(\$102,841)	\$1,601,722
Interpretation No. 6	12,389	0	15,265
Technical Bulletin No. 2004-2	(61,001)	(890)	(127,085)
Accounts Payable	0	0	(29,695)
Adjusted Fund Balances (Deficit) December 31, 2003	<u>(\$235,954)</u>	<u>(\$103,731)</u>	1,460,207

GASB Statement No. 34 Adjustments:

Deferred Assets:	
Delinquent Property Taxes	122,284
Other Local Taxes	54,827
Accrued Interest Receivable	10,564
Accounts Receivable	871,996
Special Assessments	154,609
Municipal Income Tax	568,307
Intergovernmental Receivable	1,121,435
Loans Receivable	120,380
Capital Assets, Net	4,468,089
Accrued Interest Payable	(2,128)
Long-Term Liabilities	<u>(430,812)</u>
Governmental Activities, Net Assets December 31, 2003	<u>\$8,864,974</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 24 – SUBSEQUENT EVENTS

On May 6, 2005, the City retired the 2004 Real Estate Acquisition Bond Anticipation Note in the amount of \$120,000 and issued a 2005 Real Estate Acquisition Bond Anticipation Note in the amount of \$108,000. The note matures on May 5, 2006, and bears an interest rate of 3.00 percent.

On July 28, 2005, the City retired the 2004 Fire Station Bond Anticipation Note in the amount of \$1,350,000 and issued a 2005 Fire Station Bond Anticipation Note in the amount of \$1,200,000. The note matures on July 28, 2006, and bears an interest rate of 3.16 percent.

On November 4, 2005, the City retired the 2004 Real Estate Acquisition Bond Anticipation Note in the amount of \$763,000 and issued a 2005 Real Estate Acquisition Bond Anticipation Note in the amount of \$780,359. The note matures on November 3, 2006, and bears an interest rate of 3.55 percent.

NOTE 25 – 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.

B. Budgetary Basis of Accounting

Budgetary information for the CIC is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 25 – RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION *(continued)*

C. Long-Term Obligations

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

	Balance at December 31, 2003	Issued	Retired	Balance at December 31, 2004	Due Within One Year
1999 Riverside Community Improvement Corporation Loan - 0.00% \$120,380	\$120,380	\$0	\$0	\$120,380	\$6,475

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 will be interest free and will be repaid as the real estate is sold.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 4, 2006 where in we noted the City implemented GASB Nos. 34, 37, 38 and 41, GASB Interpretation No. 6, and GASB Technical Bulletin No. 2004-02. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

We noted certain matters that we reported to the management of the City in a separate letter dated April 4, 2006.

City Council
City of Riverside

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, and members of City Council, and is not
intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
April 4, 2006

**CITY OF RIVERSIDE
MONTGOMERY COUNTY
DECEMBER 31, 2004
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.39 states that the total appropriation from each fund may not exceed total available resources.

For the year ended December 31, 2004, appropriations exceeded available resources in the Fire Fund, Street/Public Service Fund, Police Fund and CDBG/Floral Park Project Fund by \$50,338, \$83,824, \$62,324, and \$255,665, respectively.

The City should compare estimated resources to appropriations when adjusting the budget to ensure appropriations do not exceed estimated resources.

Planned Corrective Action: The City will monitor estimated resources prior to making permanent or supplemental appropriations to help ensure that appropriations do not exceed available resources.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (B) expenditures and encumbrances shall not exceed appropriations at the legal level of control of the entity. For the City of Riverside, the legal level of control is at the object level of each department.

There were instances where, expenditures and encumbrances exceeded appropriations at the City's legal level of control as follows:

Fire Fund:	
Capital Outlay	\$859,168
Street/Public Service Fund:	
Capital Outlay	229,928

The City should not encumber or expend any funds that are not supported by appropriations at the legal level of control.

Planned Corrective Action: The City administration is in the process of developing an improved method for the monitoring of the expenditure of funds to help ensure that expenditures and encumbrances do not exceed appropriations at the object level.



Mary Taylor, CPA
Auditor of State

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
JANUARY 18, 2007