

City of Riverside

Montgomery County

Regular Audit

January 1, 2006 through December 31, 2006

**BALESTRA, HARR & SCHERER CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Mary Taylor, CPA  
Auditor of State

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, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 5, 2007

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**City of Riverside**  
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*For the Year Ended December 31, 2006*

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

City of Riverside  
Montgomery County, Ohio  
1791 Harshman Road  
Riverside, Ohio 45424-5017

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, 2006, 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, 2006, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General, Fire, Police, Street/Public Service and DAP Facility 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 June 29, 2007, 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.

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.

City Council  
City of Riverside  
Independent Auditor's Report

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits*.

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.  
June 29, 2007



**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

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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, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

- The City's total net assets increased \$2,961,836, which represents a 27.30 percent increase from 2005.
  
- General revenues of governmental activities accounted for \$8,358,854 or 68.05 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,925,043 or 31.95 percent of total revenues of \$12,283,897.
  
- The City had \$9,322,061 in expenses related to governmental activities; \$3,925,043 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily income taxes) of \$8,358,854 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, 2006

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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 2006?" 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 9. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City uses many funds to account for a multitude of financial transactions. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City's major funds are the General Fund, the Fire Fund, the Street / Public Service Fund, the Police Fund, and the DAP Facility Fund.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

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*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, 2006

**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 2005 compared to 2006.

Table 1  
Net Assets

	Governmental Activities		Increase (Decrease)
	2005	2006	
<b>Assets</b>			
Current and Other Assets	\$11,277,719	\$12,753,530	\$1,475,811
Nondepreciable Capital Assets	3,165,633	2,774,635	(390,998)
Depreciable Capital Assets, Net	3,825,237	5,536,278	1,711,041
Total Assets	18,268,589	21,064,443	2,795,854
<b>Liabilities</b>			
Current and Other Liabilities	5,041,264	4,880,861	(160,403)
Long-Term Liabilities:			
Due Within One Year	342,320	471,236	128,916
Due in More Than One Year	2,035,950	1,901,455	(134,495)
Total Liabilities	7,419,534	7,253,552	(165,982)
<b>Net Assets</b>			
Invested in Capital Assets, Net Of			
Related Debt	3,023,995	4,374,802	1,350,807
Restricted	3,731,181	2,897,655	(833,526)
Unrestricted	4,093,879	6,538,434	2,444,555
Total Net Assets	\$10,849,055	\$13,810,891	\$2,961,836

An increase of 13.09 percent occurred within current and other assets of governmental activities when compared to the prior year. The increase is primarily due to an increase in cash in the General Fund. The increase in the General Fund cash was due to nonmajor governmental funds having unexpended monies that were transferred back to the General Fund as well as the addition of property tax revenue in the Police Fund which reduced the need to be subsidized from the General Fund.

Capital assets of governmental activities showed an increase of 18.88 percent when compared to the prior year. This increase is due to the completion of the Center of Flight Project, addition of police cruisers, a street sweeper, and the addition of street infrastructure.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

Also, for 2006, unrestricted net assets had an increase of 59.71 percent. This was primarily due to the fact that General Fund cash increased approximately \$1.2 million. Restricted net assets decreased by 22.34 percent from 2005. This was primarily due to a large amount of capital expenditures during the year that also contributed to an increase of 44.67 percent in invested in capital assets, net of related debt.

Table 2 shows the changes in net assets for the year ended December 31, 2005 and 2006.

Table 2  
Changes In Net Assets

	2005	2006	Increase (Decrease)
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,736,204	\$2,061,388	\$325,184
Operating Grants and Contributions	1,235,413	1,290,510	55,097
Capital Grants and Contributions	691,731	573,145	(118,586)
Total Program Revenues	<u>3,663,348</u>	<u>3,925,043</u>	<u>261,695</u>
General Revenues:			
Property Taxes	1,063,615	2,387,089	1,323,474
Income Taxes	4,295,673	4,513,913	218,240
Other Local Taxes	234,300	247,494	13,194
Grants and Entitlements not Restricted to Specific Programs	734,972	658,420	(76,552)
Unrestricted Investment Earnings	141,269	317,732	176,463
Gain on Sale of Capital Assets	0	123,212	123,212
Miscellaneous	29,287	110,994	81,707
Total General Revenues	<u>6,499,116</u>	<u>8,358,854</u>	<u>1,859,738</u>
Total Revenues	<u>\$10,162,464</u>	<u>\$12,283,897</u>	<u>2,121,433</u>

*(continued)*

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

Table 2  
Changes in Net Assets  
(Continued)

	2005	2006	Increase (Decrease)
<b>Program Expenses</b>			
General Government	\$1,945,553	\$2,206,874	\$261,321
Security of Persons and Property	4,947,844	5,203,333	255,489
Public Health Services	959	2,658	1,699
Leisure Time Activities	39,106	61,637	22,531
Community and Economic Development	510,127	343,106	(167,021)
Public Works	23,080	0	(23,080)
Transportation	1,399,017	1,351,099	(47,918)
Interest and Fiscal Charges	90,509	153,354	62,845
Total Expenses	<u>8,956,195</u>	<u>9,322,061</u>	<u>\$365,866</u>
Increase in Net Assets	1,206,269	2,961,836	
Net Assets at Beginning of Year	<u>9,642,786</u>	<u>10,849,055</u>	
Net Assets at End of Year	<u>\$10,849,055</u>	<u>\$13,810,891</u>	

*Governmental Activities*

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were 31.95 percent of total revenues for 2006.

General revenues were 68.05 percent of total revenues for 2006. The 1.5 percent income tax is the largest source of revenue for the City of Riverside, making up 36.75 percent of revenues for governmental activities for the year ended 2006. The City provides a 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 19.43 percent of revenue for governmental activities of the City of Riverside for the year ended 2006. Grants and Entitlements not Restricted to Specific Programs made up 5.36 percent of revenue for governmental activities for a total of 61.54 percent of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

The significant increase in property tax revenue was primarily due to the passing of a new police levy that resulted in the City receiving approximately \$1.2 million in property tax revenue in the Police Special Revenue Fund.

The significant increase in unrestricted investment earnings was primarily due to an increase in the cash balance available to invest coupled with higher interest rates from 2005.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

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Governmental program expenses as a percentage of total governmental expenses for 2006 are expressed as follows:

General Government	23.67%
Security of Persons and Property	55.82%
Public Health Services	0.03%
Leisure Time Activities	0.66%
Community and Economic Development	3.68%
Transportation	14.49%
Interest and Fiscal Charges	1.65%
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 55.82 percent, is related to the implementation of safety forces. A distant second, 23.67 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 20.51 percent of expenses.

Total expenditures of the City increased by 4.09 percent from 2005. The City closely monitored their expenditures throughout 2006 resulting in this minimal increase from the previous year.

### **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 \$11,689,366 and expenditures of \$11,029,096. The General Fund balance increased by \$1,139,614, primarily due to the large decrease in transfers out. The General Fund did not have to transfer as much money to the Police Fund during 2006 because of the collection of property tax revenue from the new police levy.

The Fire Fund balance decreased \$34,412. Revenues remained primarily consistent with the prior year while expenditures increased due to the purchase of data terminals and generators and the increase in personnel.

The Street / Public Service Fund balance increased \$131,647. Overall expenditures increased significantly during the year because of infrastructure additions, but was offset by a significant transfer in that contributed to the increase in fund balance.

The Police Fund had significant increases in revenues and expenditures compared to prior years with an overall increase in fund balance of \$81,419. The increase in revenues was primarily due to the collection of property taxes from the passing of a new levy. The increase in expenditures was due to the addition of capital outlay expenditures for the purchase of new police cruisers and an increase in personnel. Transfers in decreased significantly from 2005, but the property tax revenue that was received in 2006 offset this large decrease.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2006

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The DAP Facility Fund balance slightly decreased by \$22,608. Revenues increased significantly from 2005 because of grant money received during 2006. Expenditures were related to the Center of Flight project that was completed during 2006.

**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.

For the General Fund, final budgeted revenues, in the amount of \$7,142,159, were below original budgeted revenues of \$7,792,160. The difference of \$650,001 was due to smaller than anticipated revenue accumulations of income taxes, interest, and charges for services than original expectations. Actual General Fund revenues were slightly more than final budgeted amounts by \$10,241.

The increase in expenditures from the original to the final budget was 5.84 percent. Actual expenditures of \$2,569,641 were 11.73 percent less than final budgeted expenditures of \$2,911,219. This decrease was primarily due to the City closely monitoring the expenditures relating to general government activities.

The City's ending unobligated cash balances for the General Fund was \$1,173,243 above the final budgeted amount.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2006, the City had \$8,310,913 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$1,320,043 from the prior year. Increases in capital assets included various land acquisitions, building construction, routine machinery and equipment purchases, new police cruisers, and street resurfacing. The increase in capital assets is the result of additions for the year exceeding annual depreciation and deletions.

See Note 10 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, 2006

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*Debt*

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$1,938,767 and bond anticipation notes in the amount of \$62,101. The City also had short-term notes in the amount of \$1,763,000. The City's long-term obligations also include capital leases and compensated absences for governmental activities.

See Notes 15 and 16 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, Bob Gillian at 1791 Harshman Road, Riverside, Ohio 45424.

**City of Riverside**  
Statement of Net Assets  
December 31, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Riverside Community</u> <u>Improvement Corporation</u>	<u>Total Reporting</u> <u>Entity</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,913,268	\$0	\$5,913,268
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents - Budget Stabilization	462,558	0	462,558
Accounts Receivable	951,366	0	951,366
Accrued Interest Receivable	20,253	0	20,253
Intergovernmental Receivable	1,115,641	0	1,115,641
Income Taxes Receivable	1,392,879	0	1,392,879
Property Taxes Receivable	2,279,181	0	2,279,181
Other Local Taxes Receivable	62,063	0	62,063
Special Assessments Receivable	446,380	0	446,380
Due from Component Unit	109,941	0	109,941
Real Estate Held for Resale	0	109,941	109,941
Capital Assets:			
Nondepreciable Capital Assets	2,774,635	0	2,774,635
Depreciable Capital Assets, Net	5,536,278	0	5,536,278
<i>Total Assets</i>	<u>21,064,443</u>	<u>109,941</u>	<u>21,174,384</u>
<b>Liabilities:</b>			
Accounts Payable	187,839	0	187,839
Contracts Payable	107,191	0	107,191
Accrued Wages and Benefits Payable	155,578	0	155,578
Intergovernmental Payable	466,418	0	466,418
Deferred Revenue	2,173,090	0	2,173,090
Accrued Vacation Leave Payable	13,819	0	13,819
Accrued Interest Payable	13,926	0	13,926
Notes Payable	1,763,000	0	1,763,000
Due to Primary Government	0	109,941	109,941
Long-Term Liabilities:			
Due Within One Year	471,236	0	471,236
Due in More Than One Year	1,901,455	0	1,901,455
<i>Total Liabilities</i>	<u>7,253,552</u>	<u>109,941</u>	<u>7,363,493</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	4,374,802	0	4,374,802
Restricted for:			
Capital Outlay	444,554	0	444,554
Transportation	1,064,126	0	1,064,126
Security of Persons and Property	285,678	0	285,678
Other Purposes	640,739	0	640,739
Budget Stabilization	462,558	0	462,558
Unrestricted	6,538,434	0	6,538,434
<i>Total Net Assets</i>	<u>\$13,810,891</u>	<u>\$0</u>	<u>\$13,810,891</u>

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Activities  
For the Year Ended December 31, 2006

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Total Governmental Activities</b>
<b>Governmental Activities:</b>					
General Government	\$2,206,874	\$1,002,790	\$0	\$0	(\$1,204,084)
Security of Persons and Property	5,203,333	912,822	285,602	87,362	(3,917,547)
Public Health Services	2,658	400	0	0	(2,258)
Leisure Time Activities	61,637	0	0	0	(61,637)
Community and Economic Development	343,106	12,564	0	460,530	129,988
Transportation	1,351,099	132,812	1,004,908	25,253	(188,126)
Interest and Fiscal Charges	153,354	0	0	0	(153,354)
<i>Total Governmental Activities</i>	<u>\$9,322,061</u>	<u>\$2,061,388</u>	<u>\$1,290,510</u>	<u>\$573,145</u>	<u>(5,397,018)</u>
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					
					472,706
Public Safety					
					1,914,383
Income Taxes Levied for General Purposes					
					4,513,913
Other Local Taxes					
					247,494
Grants and Entitlements not					
Restricted to Specific Programs					
					658,420
Unrestricted Investment Earnings					
					317,732
Gain on Sale of Capital Assets					
					123,212
Miscellaneous					
					<u>110,994</u>
<i>Total General Revenues</i>					
					<u>8,358,854</u>
<i>Change in Net Assets</i>					
					2,961,836
<i>Net Assets at Beginning of Year</i>					
					<u>10,849,055</u>
<i>Net Assets at End of Year</i>					
					<u>\$13,810,891</u>

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Balance Sheet  
Governmental Funds  
December 31, 2006

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Street / Public Service Fund</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,355,662	\$124,547	\$266,901
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents - Budget Stabilization	462,558	0	0
Receivables:			
Accounts	631,000	311,230	1,617
Accrued Interest	20,253	0	0
Intergovernmental	347,234	32,821	419,373
Income Taxes	1,392,879	0	0
Property Taxes	406,268	656,139	0
Other Local Taxes	62,063	0	0
Special Assessments	0	0	346,616
Due from Component Unit	0	0	0
<i>Total Assets</i>	<u><u>\$7,677,917</u></u>	<u><u>\$1,124,737</u></u>	<u><u>\$1,034,507</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$137,879	\$23,031	\$11,103
Contracts Payable	8,708	0	10,384
Accrued Wages and Benefits Payable	22,138	44,507	16,107
Intergovernmental Payable	43,729	150,816	37,351
Accrued Interest Payable	0	0	0
Accrued Vacation Leave Payable	7,958	5,072	0
Deferred Revenue	2,541,531	948,924	700,354
Notes Payable	0	0	0
<i>Total Liabilities</i>	<u><u>2,761,943</u></u>	<u><u>1,172,350</u></u>	<u><u>775,299</u></u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	58,010	105,739	157,753
Unreserved:			
Designated:			
Budget Stabilization	462,558	0	0
Undesignated, Reported in:			
General Fund	4,395,406	0	0
Special Revenue Funds (Deficit)	0	(153,352)	101,455
Capital Projects Funds	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u><u>4,915,974</u></u>	<u><u>(47,613)</u></u>	<u><u>259,208</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$7,677,917</u></u>	<u><u>\$1,124,737</u></u>	<u><u>\$1,034,507</u></u>

See Accompanying Notes to the Basic Financial Statements

<b>Police Fund</b>	<b>DAP Facility Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$214,410	\$252,477	\$699,271	\$5,913,268
0	0	0	462,558
7,519	0	0	951,366
0	0	0	20,253
76,436	47,612	192,165	1,115,641
0	0	0	1,392,879
1,216,774	0	0	2,279,181
0	0	0	62,063
0	0	99,764	446,380
0	0	109,941	109,941
<u>\$1,515,139</u>	<u>\$300,089</u>	<u>\$1,101,141</u>	<u>\$12,753,530</u>
\$14,994	\$0	\$832	\$187,839
0	0	88,099	107,191
71,606	0	1,220	155,578
231,915	0	2,607	466,418
0	5,867	0	5,867
789	0	0	13,819
1,290,516	47,612	376,124	5,905,061
0	1,763,000	0	1,763,000
<u>1,609,820</u>	<u>1,816,479</u>	<u>468,882</u>	<u>8,604,773</u>
182,775	151,973	176,871	833,121
0	0	0	462,558
0	0	0	4,395,406
(277,456)	(1,668,363)	302,565	(1,695,151)
0	0	152,823	152,823
<u>(94,681)</u>	<u>(1,516,390)</u>	<u>632,259</u>	<u>4,148,757</u>
<u>\$1,515,139</u>	<u>\$300,089</u>	<u>\$1,101,141</u>	<u>\$12,753,530</u>

See Accompanying Notes to the Basic Financial Statements

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**City of Riverside**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006

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<b>Total Governmental Fund Balances</b>	<b>\$4,148,757</b>
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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	2,774,635
Infrastructure	2,144,254
Other Capital Assets	6,974,749
Accumulated Depreciation	<u>(3,582,725)</u>

Total	8,310,913
-------	-----------

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

Income Taxes	1,128,774
Property Taxes	106,091
Other Local Taxes	59,303
Special Assessments	446,380
Intergovernmental	974,150
Accounts	895,106
Loans	109,941
Interest	<u>12,226</u>

Total	3,731,971
-------	-----------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued Interest	(8,059)
Bond Anticipation Notes	(62,101)
General Obligation Bonds	(1,938,767)
Capital Leases	(234,344)
Compensated Absences	<u>(137,479)</u>

Total	<u>(2,380,750)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$13,810,891</u></u>
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See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Street / Public Service Fund</b>
<b>Revenues:</b>			
Income Taxes	\$4,421,768	\$0	\$0
Property Taxes	433,381	682,884	0
Other Local Taxes	245,726	0	0
Special Assessments	0	0	94,054
Intergovernmental	748,047	69,653	804,992
Charges for Services	981,202	582,069	0
Licenses and Permits	39,878	0	0
Fines and Forfeitures	0	0	0
Interest	316,953	0	0
Contributions and Donations	0	0	0
Miscellaneous	12,428	1,081	34,506
<i>Total Revenues</i>	<u>7,199,383</u>	<u>1,335,687</u>	<u>933,552</u>
<b>Expenditures:</b>			
Current Operations and Maintenance:			
General Government	2,104,929	0	0
Security of Persons and Property	52,372	1,740,111	0
Public Health Services	0	0	0
Leisure Time Activities	47,779	0	0
Community and Economic Development	226,546	0	0
Transportation	0	0	838,344
Capital Outlay	72,461	49,289	558,262
Debt Service:			
Principal Retirement	5,545	0	23,670
Interest and Fiscal Charges	1,482	44,699	2,629
<i>Total Expenditures</i>	<u>2,511,114</u>	<u>1,834,099</u>	<u>1,422,905</u>
Excess of Revenues Over (Under) Expenditures	<u>4,688,269</u>	<u>(498,412)</u>	<u>(489,353)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds From the Sale of Capital Assets	0	0	0
Proceeds from Capital Lease	0	0	0
Transfers In	203,462	464,000	621,000
Transfers Out	(3,752,117)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,548,655)</u>	<u>464,000</u>	<u>621,000</u>
<i>Net Change in Fund Balance</i>	1,139,614	(34,412)	131,647
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>3,776,360</u>	<u>(13,201)</u>	<u>127,561</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$4,915,974</u>	<u>(\$47,613)</u>	<u>\$259,208</u>

See Accompanying Notes to the Basic Financial Statements



<b>Police Fund</b>	<b>DAP Facility Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$0	\$0	\$0	\$4,421,768
1,231,499	0	0	2,347,764
0	0	0	245,726
0	0	179,509	273,563
140,185	152,388	422,046	2,337,311
0	0	400	1,563,671
0	0	0	39,878
22,421	0	160	22,581
0	0	0	316,953
200	0	0	200
42,229	19,268	10,439	119,951
<u>1,436,534</u>	<u>171,656</u>	<u>612,554</u>	<u>11,689,366</u>
0	0	0	2,104,929
2,834,034	0	208,206	4,834,723
0	0	2,500	2,500
0	0	0	47,779
0	1,689	2,574	230,809
0	0	112,732	951,076
524,377	537,556	595,281	2,337,226
63,338	0	268,173	360,726
283	65,519	44,716	159,328
<u>3,422,032</u>	<u>604,764</u>	<u>1,234,182</u>	<u>11,029,096</u>
<u>(1,985,498)</u>	<u>(433,108)</u>	<u>(621,628)</u>	<u>660,270</u>
0	175,000	0	175,000
175,418	0	148,233	323,651
1,891,499	235,500	551,118	3,966,579
0	0	(214,462)	(3,966,579)
<u>2,066,917</u>	<u>410,500</u>	<u>484,889</u>	<u>498,651</u>
81,419	(22,608)	(136,739)	1,158,921
<u>(176,100)</u>	<u>(1,493,782)</u>	<u>768,998</u>	<u>2,989,836</u>
<u>(\$94,681)</u>	<u>(\$1,516,390)</u>	<u>\$632,259</u>	<u>\$4,148,757</u>

See Accompanying Notes to the Basic Financial Statements

**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, 2006

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**Net Change in Fund Balances - Total Governmental Funds** \$1,158,921

*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	1,985,169	
Depreciation	(500,455)	
Excess of Capital Outlay over Depreciation Expense		1,484,714

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.

Proceeds from the Sale of Capital Assets	(175,000)	
Gain on Sale of Capital Assets	123,212	
Loss on Disposal	(112,883)	(164,671)

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. (323,651)

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	92,145	
Property Taxes	39,325	
Other Local Taxes	1,768	
Special Assessments	22,173	
Intergovernmental	184,564	
Charges for Services	138,324	
Fines and Forfeitures	1,198	
Miscellaneous	(8,957)	
Accrued Interest	779	471,319

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 Payments	23,670	
General Obligation Bonds Payments	215,401	
Capital Leases Payments	121,655	360,726

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 Decrease in Accrued Interest		5,974
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Increase in Compensated Absences		(31,496)
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*Change in Net Assets of Governmental Activities* \$2,961,836

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, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Income Taxes	\$4,836,441	\$4,664,095	\$4,398,261	(\$265,834)
Property Taxes	429,621	400,000	433,381	33,381
Other Local Taxes	267,172	243,503	242,966	(537)
Intergovernmental	785,712	702,199	738,047	35,848
Charges for Services	1,078,955	946,974	981,202	34,228
Licenses and Permits	44,126	40,416	40,128	(288)
Interest	336,471	138,246	305,987	167,741
Miscellaneous	13,662	6,726	12,428	5,702
<i>Total Revenues</i>	<u>7,792,160</u>	<u>7,142,159</u>	<u>7,152,400</u>	<u>10,241</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
General Government	2,328,016	2,362,426	2,136,432	225,994
Security of Persons and Property	55,000	55,000	56,442	(1,442)
Leisure Time Activities	48,748	61,975	54,007	7,968
Community and Economic Development	261,901	308,651	244,831	63,820
Capital Outlay	56,867	123,167	77,929	45,238
<i>Total Expenditures</i>	<u>2,750,532</u>	<u>2,911,219</u>	<u>2,569,641</u>	<u>341,578</u>
Excess of Revenues Over Expenditures	<u>5,041,628</u>	<u>4,230,940</u>	<u>4,582,759</u>	<u>351,819</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	650,000	203,462	(446,538)
Transfers Out	(4,370,079)	(5,020,079)	(3,752,117)	1,267,962
<i>Total Other Financing Sources (Uses)</i>	<u>(4,370,079)</u>	<u>(4,370,079)</u>	<u>(3,548,655)</u>	<u>821,424</u>
<i>Net Change in Fund Balance</i>	671,549	(139,139)	1,034,104	1,173,243
<i>Fund Balance at Beginning of Year</i>	3,566,686	3,566,686	3,566,686	0
<i>Prior Year Encumbrances</i>	<u>161,896</u>	<u>161,896</u>	<u>161,896</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,400,131</u></u>	<u><u>\$3,589,443</u></u>	<u><u>\$4,762,686</u></u>	<u><u>\$1,173,243</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  
Fire Fund  
For the Year Ended December 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Property Taxes	\$697,231	\$675,000	\$682,884	\$7,884
Intergovernmental	101,363	164,521	69,653	(94,868)
Charges for Services	1,588,022	1,346,095	568,406	(777,689)
Miscellaneous	0	5,000	1,081	(3,919)
<i>Total Revenues</i>	<u>2,386,616</u>	<u>2,190,616</u>	<u>1,322,024</u>	<u>(868,592)</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
Security of Persons and Property	2,246,266	2,246,266	1,829,188	417,078
Capital Outlay	9,000	9,000	66,117	(57,117)
Debt Service:				
Interest and Fiscal Charges	17,525	17,525	44,699	(27,174)
<i>Total Expenditures</i>	<u>2,272,791</u>	<u>2,272,791</u>	<u>1,940,004</u>	<u>332,787</u>
Excess of Revenues Over (Under) Expenditures	<u>113,825</u>	<u>(82,175)</u>	<u>(617,980)</u>	<u>(535,805)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	196,000	464,000	268,000
Transfers Out	(156,225)	(156,225)	0	156,225
<i>Total Other Financing Sources (Uses)</i>	<u>(156,225)</u>	<u>39,775</u>	<u>464,000</u>	<u>424,225</u>
<i>Net Change in Fund Balance</i>	(42,400)	(42,400)	(153,980)	(111,580)
<i>Fund Balance at Beginning of Year</i>	295	295	295	0
<i>Prior Year Encumbrances</i>	<u>154,813</u>	<u>154,813</u>	<u>154,813</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$112,708</u></u>	<u><u>\$112,708</u></u>	<u><u>\$1,128</u></u>	<u><u>(\$111,580)</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  
Street / Public Service Fund  
For the Year Ended December 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Special Assessments	\$165,666	\$95,888	\$94,054	(\$1,834)
Intergovernmental	1,509,881	860,396	829,777	(30,619)
Miscellaneous	12,453	66,716	34,506	(32,210)
<i>Total Revenues</i>	<u>1,688,000</u>	<u>1,023,000</u>	<u>958,337</u>	<u>(64,663)</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
Transportation	1,127,951	1,283,131	959,531	323,600
Capital Outlay	600,752	651,752	649,041	2,711
Debt Service:				
Principal Retirement	23,670	23,670	23,670	0
Interest and Fiscal Charges	24,398	24,398	2,629	21,769
<i>Total Expenditures</i>	<u>1,776,771</u>	<u>1,982,951</u>	<u>1,634,871</u>	<u>348,080</u>
Excess of Revenues Under Expenditures	(88,771)	(959,951)	(676,534)	283,417
<b>Other Financing Sources:</b>				
Transfers In	0	820,000	621,000	(199,000)
<i>Net Change in Fund Balance</i>	(88,771)	(139,951)	(55,534)	84,417
<i>Fund Balance at Beginning of Year</i>	26,794	26,794	26,794	0
<i>Prior Year Encumbrances</i>	<u>119,204</u>	<u>119,204</u>	<u>119,204</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$57,227</u></u>	<u><u>\$6,047</u></u>	<u><u>\$90,464</u></u>	<u><u>\$84,417</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, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Property Taxes	\$1,314,706	\$533,610	\$1,231,499	\$697,889
Intergovernmental	1,285,350	32,729	140,185	107,456
Fines and Forfeitures	350,550	7,711	19,727	12,016
Contributions and Donations	0	0	200	200
Miscellaneous	701,100	10,557	37,840	27,283
<i>Total Revenues</i>	<u>3,651,706</u>	<u>584,607</u>	<u>1,429,451</u>	<u>844,844</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
Security of Persons and Property	3,422,269	3,590,528	3,107,640	482,888
Capital Outlay	378,957	378,956	373,883	5,073
<i>Total Expenditures</i>	<u>3,801,226</u>	<u>3,969,484</u>	<u>3,481,523</u>	<u>487,961</u>
Excess of Revenues Under Expenditures	(149,520)	(3,384,877)	(2,052,072)	1,332,805
<b>Other Financing Sources:</b>				
Transfers In	0	3,217,100	1,891,499	(1,325,601)
<i>Net Change in Fund Balance</i>	(149,520)	(167,777)	(160,573)	7,204
<i>Fund Balance at Beginning of Year</i>	35	35	35	0
<i>Prior Year Encumbrances</i>	<u>170,832</u>	<u>170,832</u>	<u>170,832</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$21,347</u></u>	<u><u>\$3,090</u></u>	<u><u>\$10,294</u></u>	<u><u>\$7,204</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  
DAP Facility Fund  
For the Year Ended December 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental	\$356,876	\$2,022,480	\$152,388	(\$1,870,092)
Miscellaneous	45,124	1,220	19,268	18,048
<i>Total Revenues</i>	<u>402,000</u>	<u>2,023,700</u>	<u>171,656</u>	<u>(1,852,044)</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
Community and Economic Development	111,449	136,449	210,640	(74,191)
Capital Outlay	772,616	909,150	677,581	231,569
Debt Service:				
Principal Retirement	0	1,780,400	1,780,359	41
Interest and Fiscal Charges	0	66,000	65,626	374
<i>Total Expenditures</i>	<u>884,065</u>	<u>2,891,999</u>	<u>2,734,206</u>	<u>157,793</u>
Excess of Revenues Under Expenditures	<u>(482,065)</u>	<u>(868,299)</u>	<u>(2,562,550)</u>	<u>(1,694,251)</u>
<b>Other Financing Sources:</b>				
Proceeds from the Sale of Capital Assets	0	175,000	175,000	0
Bond Anticipation Notes Issued	0	0	1,763,000	1,763,000
Transfers In	0	204,000	235,500	31,500
<i>Total Other Financing Sources</i>	<u>0</u>	<u>379,000</u>	<u>2,173,500</u>	<u>1,794,500</u>
<i>Net Change in Fund Balance</i>	(482,065)	(489,299)	(389,050)	100,249
<i>Fund Balance at Beginning of Year</i>	7,489	7,489	7,489	0
<i>Prior Year Encumbrances</i>	<u>482,065</u>	<u>482,065</u>	<u>482,065</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$7,489</u></u>	<u><u>\$255</u></u>	<u><u>\$100,504</u></u>	<u><u>\$100,249</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
December 31, 2006

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**Assets:**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$22,000</u></u>
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**Liabilities:**

Undistributed Assets	<u><u>\$22,000</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, 2006

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**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, leisure time activities, and community and economic development. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units 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, 2006

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**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 19, 20, and 21 to the Basic Financial Statements.

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

**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, 2006

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**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, 2006

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**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 and the Charter of the City.

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 property taxes and fines generated through safety enforcement within the City and transfers from the General Fund to finance the police department.

DAP Facility Fund – This fund accounts for monies related to the Center of Flight Project.

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 City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for money held for individuals and organizations for fire insurance settlements which will be relinquished to the individuals and organizations upon restoration of damaged property.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**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, 2006

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**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 8.) 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, 2006, but were levied to finance 2007 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, 2006

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

**E. Budgets and Budgetary Accounting**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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; including all supplemental appropriations.

**F. Cash and Cash Equivalents**

Cash balances of the City's funds 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 Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, United States Treasury Notes, Corporate Notes, STAROhio, and a Victory Federal Money Market Mutual Fund. 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, 2006

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

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on December 31, 2006.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2006 amounted to \$316,953, which includes \$88,891 assigned from other funds.

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

**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 progress 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, 2006

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

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

**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.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures when an employee's vacation balance does not carry over beyond the anniversary of their date of hire each year. These amounts are recorded in the account "Accrued Vacation Leave Payable" in the funds from which the employees will be paid.

**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. Long-term notes, bonds, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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

**J. Reserves and Designation 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. Unreserved fund balance, designated for budget stabilization represents certain resources segregated from other resources of the City to comply with enabling legislation passed by the City. Legislation was passed to designate a portion of fund balances of operating funds (General Fund, Fire Fund, Service Fund, Police Fund, and Fire/EMS – Police Tax Fund) to provide funds for one-time emergency, unexpected expenditures or to offset unexpected revenue losses of the current fiscal year. This reserve will only be used with the approval of City Council. Fund equity reserves have been established for encumbrances.

**K. Internal Activity**

Internal Allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

**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 and improving the living environment of the City.

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

The government-wide Statement of Net Assets reports \$2,435,097 of restricted net assets, \$462,558 of which is restricted by enabling legislation.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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

**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.

**N. Restricted Assets**

Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. Restricted assets represent certain resources segregated from other resources of the City to comply with enabling legislation passed by the City. Legislation was passed to reserve a portion of fund balances of operating funds (General Fund, Fire Fund, Service Fund, Police Fund, and Fire/EMS – Police Tax Fund) to provide funds for one-time emergency, unexpected expenditures or to offset unexpected revenue losses of the current fiscal year. This reserve will only be used with the approval of City Council.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For 2006, the City has implemented *GASB Statement No. 47, “Accounting for Termination Benefits.”*

*GASB Statement No. 47* establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the City’s financial statements for 2006.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2006, the Fire, Police, and DAP Facility Special Revenue Funds had deficit fund balances of \$47,613, \$94,681 and \$1,516,390, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE** (continued)

**B. Compliance**

The following accounts had expenditures in excess of appropriations for the year ended December 31, 2006:

Fund	Appropriations w/ Carryover	Expenditures and Encumbrances	Excess
General Fund			
Planning and Economic Development - Contractual Services	\$72,884	\$77,910	(\$5,026)
Fire Fund			
Capital Outlay	9,000	66,117	(57,117)
Interest and Fiscal Charges	17,525	44,699	(27,174)
DAP Facility Fund			
Contractual Services	136,449	210,339	(73,890)
Commodities and Supplies	0	301	(301)

The following funds had final appropriations in excess of amount available for the year ended December 31, 2006:

Fund	Total Available For appropriation	Appropriations	Variance
Fire	\$ 1,941,132	\$ 2,429,016	\$ (487,884)
Street	1,725,335	1,982,951	(257,616)
Police	3,320,950	3,969,484	(648,534)

**NOTE 5 – 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 the major Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING** (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Notes issued are presented as other financing sources (budget basis) as opposed to liabilities on the balance sheet (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and the major Special Revenue Funds are as follows:

	Net Change in Fund Balance				
	General Fund	Fire Fund	Street / Public Service Fund	Police Fund	DAP Facility Fund
GAAP Basis	\$1,139,614	(\$34,412)	\$131,647	\$81,419	(\$22,608)
Increases (Decreases) Due To:					
Revenue Accruals	(46,314)	(13,663)	24,785	(182,501)	0
Expenditure Accruals	31,022	17,514	(35,529)	144,625	(197,110)
Encumbrances	(89,549)	(123,419)	(176,437)	(204,116)	(151,973)
Debt Service - Principal Retirement	0	0	0	0	(1,780,359)
Note Proceeds	0	0	0	0	1,763,000
Unrecorded Cash - 2005	(34,684)	0	0	0	0
Unrecorded Cash - 2006	34,015	0	0	0	0
Budget Basis	<u>\$1,034,104</u>	<u>(\$153,980)</u>	<u>(\$55,534)</u>	<u>(\$160,573)</u>	<u>(\$389,050)</u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

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

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

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 or Ohio local governments;
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).

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;

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$137,484 of the City's bank balance of \$2,767,427 was covered by Federal Deposit Insurance. The remaining balance was collateralized with securities held by the pledging financial institution, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

**B. Investments**

As of December 31, 2006, the City had the following investments. All investments are in an internal investment pool.

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-4	5-6
Federal Home Loan Mortgage Corporation (FHLMC) Notes	\$339,590	\$214,687	\$124,903	\$0	\$0
Federal Home Loan Mortgage Corporation Discount Notes	201,995	201,995	0	0	0
Federal National Mortgage Association (FNMA) Notes	483,615	364,007	119,608	0	0
Federal National Mortgage Association Discount Notes	223,474	223,474	0	0	0
Federal Home Loan Bank Bonds	219,495	164,323	55,172	0	0
Federal Home Loan Bank Discount Notes	613,213	269,077	129,959	99,500	114,677
US Treasury Notes	306,047	306,047	0	0	0
Corporate Notes	295,872	98,807	0	97,860	99,205
STAROhio	114,085	114,085	0	0	0
Victory Federal Money Market Mutual Fund	905,370	905,370	0	0	0
Totals	<u>\$3,702,756</u>	<u>\$2,861,872</u>	<u>\$429,642</u>	<u>\$197,360</u>	<u>\$213,882</u>

*Interest Rate Risk* – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. The City’s investment policy states that the City will not directly invest in securities maturing more than three years from the date of purchase, unless matched to a specific cash flow. Reserve funds may be invested in securities exceeding three years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

*Credit Risk* – Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, United States Treasury Notes, Corporate Notes, and the Victory Federal Money Market Mutual Fund carry a rating of Aaa by Moody’s. The Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, and Federal Home Loan Bank Discount Notes earn the highest credit ratings for short-term investments from Moody’s (P-1). STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy limits investments to those authorized by State statute.



**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

*Concentration of Credit Risk* – It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities. The City places no limit on the amount it may invest in any one issuer. However, the maximum percentages of portfolio are established at the following levels for each eligible instrument: 100 percent for US Treasury Notes, 25 percent for US agency obligations, repurchase agreements, State of Ohio obligations, and money market mutual funds, and 75 percent for certificates of deposit and STAR Ohio. The City's investments in the Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Notes, Federal National Mortgage Association Discount Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, United States Treasury Notes, and Corporate Notes, represents 9.17 percent, 5.46 percent, 13.06 percent, 6.04 percent, 5.93 percent, 16.56 percent, 8.27 percent, and 7.99 percent respectively, of the City's total investments.

**NOTE 7 – 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.

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 8 – PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 8 – PROPERTY TAX** (continued)

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 for 2008, and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$11.34 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$277,047,800
Public Utility Personal	7,108,500
General Business Personal	8,103,059
Totals	<u><u>\$292,259,359</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, 2006, 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 2006 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, 2006

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**NOTE 9 – RECEIVABLES**

Receivables at December 31, 2006, consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, 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 \$302,345. The City had \$2,942 in delinquent special assessments at December 31, 2006.

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, 2006, is \$109,941, and is shown as “Due from Component Unit” on the financial statements.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Homestead and Rollback	\$127,848
County Local Government	249,187
State Local Government	25,795
Local Government Revenue Assistance	48,442
Gasoline Excise Tax	241,488
Motor Vehicle License Tax	79,720
Cents per Gallon	132,163
Fines and Forfeitures	5,219
OCJS/VOCA Grant	30,292
Assistant Firefighters Grant	40,604
EDGE Center of Flight	47,612
COAF Grant	17,610
EDGE /MTC Retention and Expansion Project	57,186
Permissive Tax	12,475
Total Intergovernmental Receivable	<u><u>\$1,115,641</u></u>

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 10 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2006, was as follows:

	Balance At 12/31/2005	Additions	Deletions	Balance At 12/31/2006
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$2,782,670	\$46,053	(\$54,088)	\$2,774,635
Construction in Progress	382,963	482,150	(865,113)	0
Total Capital Assets, Not Being Depreciated	<u>3,165,633</u>	<u>528,203</u>	<u>(919,201)</u>	<u>2,774,635</u>
Depreciable Capital Assets:				
Land Improvements	115,294	0	0	115,294
Buildings and Building Improvements	2,297,523	108,808	(54,515)	2,351,816
Machinery and Equipment	1,410,149	294,955	(101,836)	1,603,268
Vehicles	2,594,823	363,822	(54,274)	2,904,371
Infrastructure	589,760	1,554,494	0	2,144,254
Total Depreciable Capital Assets	<u>7,007,549</u>	<u>2,322,079</u>	<u>(210,625)</u>	<u>9,119,003</u>
Less Accumulated Depreciation:				
Land Improvements	(54,103)	(4,670)	0	(58,773)
Buildings and Building Improvements	(349,407)	(53,869)	1,004	(402,272)
Machinery and Equipment	(784,453)	(109,314)	45,497	(848,270)
Vehicles	(1,967,972)	(270,826)	53,541	(2,185,257)
Infrastructure	(26,377)	(61,776)	0	(88,153)
Total Accumulated Depreciation	<u>(3,182,312)</u>	<u>(500,455)</u>	<u>100,042</u>	<u>(3,582,725)</u>
Depreciable Capital Assets, Net	<u>3,825,237</u>	<u>1,821,624</u>	<u>(110,583)</u>	<u>5,536,278</u>
Governmental Activities Capital Assets, Net	<u>\$6,990,870</u>	<u>\$2,349,827</u>	<u>(\$1,029,784)</u>	<u>\$8,310,913</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$39,614
Security of Persons and Property	300,373
Public Health Services	158
Leisure Time Activities	12,167
Community and Economic Development	65
Transportation	148,078
Total Depreciation Expense	<u>\$500,455</u>

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**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, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan that 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 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43 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 years ended December 31, 2006, 2005, and 2004 were \$115,973, \$119,164, and \$127,487, respectively; 86.97 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$2,508 made by the City of Riverside and \$1,648 made by the plan members.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 11 – 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, 2006, 2005, and 2004 were \$328,999, \$297,259, and \$264,622, respectively. The full amount has been contributed for 2005 and 2004. 66.06 percent has been contributed for 2006 with the remainder being reported as a liability.

**NOTE 12 – 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** (continued)

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$58,811. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**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 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 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors 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.

The City's actual contributions for 2006 that were used to fund postemployment benefits for the police and firefighters were \$190,914. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 13 – 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 lose 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 Medical Mutual 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.

**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.



**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE**

During 2006 and in prior years, the City entered into lease agreements for the purchase of equipment and vehicles. Each 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 \$360,454 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 2006 totaled \$121,655 in the governmental funds.

The assets acquired through capital lease as of December 31, 2006, are as follows:

	Asset Value	Accumulated Depreiation	Net Book Value
Copier Equipment	\$6,337	\$3,801	\$2,536
Police Cruisers	175,418	58,473	116,945
Street Sweeper	148,233	49,411	98,822
Phone System	30,466	12,186	18,280
	<u>\$360,454</u>	<u>\$123,871</u>	<u>\$236,583</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

Year Ending December 31,	Amount
2007	\$123,419
2008	123,419
2009	7,027
2010	4,099
Total	<u>257,964</u>
Less: Amount representing Interest	<u>(23,620)</u>
Present Value of Minimum Lease Payments	<u>\$234,344</u>

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

The change in the City’s long-term obligations during 2006 consisted of the following:

	Balance at December 31, 2005	Issued	Retired	Balance at December 31, 2006	Due Within One Year
<u>Governmental Activities:</u>					
<u>Bond Anticipation Notes:</u>					
2002 Sidewalk Special Assessment Bond Anticipation Note - 3.23% \$23,000	\$7,835	\$0	\$5,055	\$2,780	\$2,780
2004 Sidewalk Special Assessment Bond Anticipation Note - 3.05% \$96,000	77,936	0	18,615	59,321	19,183
Total Bond Anticipation Notes	<u>85,771</u>	<u>0</u>	<u>23,670</u>	<u>62,101</u>	<u>21,963</u>
<u>General Obligation Bonds:</u>					
2005 Various Purpose Bonds - Unvoted 4.15 % \$2,154,168	2,154,168	0	215,401	1,938,767	215,436
<u>Other Long-Term Obligations:</u>					
Compensated Absences	105,983	235,583	204,087	137,479	125,535
Capital Leases	32,348	323,651	121,655	234,344	108,302
Total Other Long-Term Obligations	<u>138,331</u>	<u>559,234</u>	<u>325,742</u>	<u>371,823</u>	<u>233,837</u>
Total Governmental Activities	<u>\$2,378,270</u>	<u>\$559,234</u>	<u>\$564,813</u>	<u>\$2,372,691</u>	<u>\$471,236</u>

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 6, 2007. The notes are being 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 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 are being 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, 2006

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

(continued)

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

The City's overall legal debt margin was \$26,985,466 and the unvoted legal debt margin was \$12,372,498 at December 31, 2006.

Principal and interest requirements to retire the City's outstanding long-term notes and general obligation bonds at December 31, 2006, were:

Year	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2007	\$21,963	\$1,967	\$215,436	\$80,459
2008	19,768	1,224	215,419	71,519
2009	20,370	622	215,419	62,579
2010	0	0	215,419	53,639
2011	0	0	215,419	44,700
2012-2015	0	0	861,655	89,400
Total	<u>\$62,101</u>	<u>\$3,813</u>	<u>\$1,938,767</u>	<u>\$402,296</u>

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 16 – SHORT-TERM OBLIGATIONS**

A summary of the note transactions for the year ended December 31, 2006, follows:

<u>Types/Issues</u>	<u>Balance at December 31, 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at December 31, 2006</u>
2006 Real Estate Acquisition Bond Anticipation Note - 3.98%	\$780,359	\$763,000	\$780,359	\$763,000
2006 Center of Flight Improvement Bond Anticipation Note - 4.09%	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Governmental Activities	<u>\$1,780,359</u>	<u>\$1,763,000</u>	<u>\$1,780,359</u>	<u>\$1,763,000</u>

The Real Estate Acquisition Bond Anticipation Note was issued for the purpose of paying the cost of acquiring real estate for economic development in the City. During 2006, the City paid \$17,359 and reissued \$763,000. The note will mature on November 3, 2007 and will be paid from the DAP Facility Special Revenue Fund.

The Center of Flight Improvement Bond Anticipation Note was issued for the purpose of acquiring and constructing public improvements. During 2006, the City reissued \$1,000,000. The note will mature on December 21, 2007 and will be paid from the DAP Facility Special Revenue Fund.

**NOTE 17 – 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 2006, 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, 2006

**NOTE 17 – 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 2006, the City of Riverside made premium payments of \$117,971 to PEP. There was no required surplus contribution in 2006.

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	1,000
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, 2006

**NOTE 18 – INTERFUND ACTIVITY**

Transfers made during the year ended December 31, 2006, were as follows:

<b><u>Transfers From</u></b>	<b><u>Transfers To</u></b>						<b><u>Total</u></b>
	<b><u>General Fund</u></b>	<b><u>Fire Fund</u></b>	<b><u>Street / Public Service Fund</u></b>	<b><u>Police Fund</u></b>	<b><u>DAP Facility Fund</u></b>	<b><u>Nonmajor Funds</u></b>	
General Fund	\$0	\$464,000	\$621,000	\$1,891,499	\$235,500	\$540,118	\$3,752,117
Nonmajor Funds	203,462	0	0	0	0	11,000	214,462
<b>Total</b>	<b>\$203,462</b>	<b>\$464,000</b>	<b>\$621,000</b>	<b>\$1,891,499</b>	<b>\$235,500</b>	<b>\$551,118</b>	<b>\$3,966,579</b>

Transfers from nonmajor funds to nonmajor funds were made to provide monies to the Ohio Public Works/Issue II Fund for capital expenditures. The transfers to the General Fund were to move unexpended dollars back to the General Fund in order to close those funds. All other transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 19 – 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 \$12,438 for the operation of the Commission during 2006. Financial information may be obtained by writing to Donald Spang, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 19 – 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 2006. Financial information may be obtained by writing to Charles Wiltrout, Executive 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 2006. Financial information may be obtained by writing to Pamela Frannin, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

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**NOTE 20 - 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 2006, the City donated \$1,582 to the operation of various organizations associated with the RHS.

**NOTE 21 - 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.

**NOTE 22 – 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, 2006, to December 31, 2006, 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.



**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2006

**NOTE 23 – RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION**

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

**A. Basis of Accounting**

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

**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.

**C. Long-Term Obligations**

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

	Balance at December 31, 2005	Issued	Retired	Balance at December 31, 2006	Due Within One Year
1999 Riverside Community Improvement Corporation Loan - 0.00% \$120,380	\$109,941	\$0	\$0	\$109,941	\$0

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

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Member American Institute of Certified Public Accountants

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, Ohio  
1791 Harshman Road  
Riverside, Ohio 45424

We have audited the 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, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2007, wherein we indicated the City implemented GASB Statement No. 47. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness on the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (2006-004 and 2006-005).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2006-001 through 2006-003.

We also noted certain matters which we reported to management of the City in a separate letter dated June 29, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.

June 29, 2007

**CITY OF RIVERSIDE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**Finding No 2006-001**

*Non-Compliance Citation: Appropriations in excess of available resources*

The Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The City had three funds that were appropriated in excess of their available resources.

The City should obtain reduced amended certificates and subsequently reduce its appropriations, whenever resources to be collected are deemed less than those previously budgeted.

**Client Response:**

Expenditures and revenues will be monitored at year-end to ensure that estimated resources and appropriations are not in excess of actual revenue received.

**Finding No 2006-002**

*Non-Compliance Citation: Expenditures in excess of appropriations*

The Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. The City had expenditures in excess of appropriations in several funds at the legal level of control.

The City should ensure that expenditures and outstanding encumbrances do not exceed the appropriations at the legal level of control.

**Client Response:**

Expenditures will be reviewed periodically to help ensure compliance with Ohio Revised Code Section 5705.41(B).

**CITY OF RIVERSIDE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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**Finding No 2006-003**

*Non-Compliance Citation: Establishment of Reserve Balance Account*

The Ohio Revised Code Section 5705.13(A) allows a taxing authority of a subdivision to establish, by resolution, a reserve balance account for three purposes including, self insurance, worker's compensation reserve and budget stabilization. The reserve balance account may be created in the general fund or in any special fund used for operating purposes and the aggregate amount reserved in the account must not exceed 5% of the fund's revenue for the preceding fiscal year. The reserve balance is excluded from the unencumbered balance when certifying available balances at year-end. The reserve for budget stabilization may be reduced or eliminated at any time by the taxing authority.

We believe the City's reserve fund to be a budget stabilization reserve and as such is subject to the 5% limitation .The City's Reserve fund had a balance that was \$1,237,442 in excess of the maximum allowed under the Ohio Revised Code.

**Client Response:**

The City will reduce the balance in the reserve fund to comply with Ohio Revised Code Section 5705.13(A).

**Finding No 2006-004**

*Significant Deficiency: Credit Card Policy*

Per Ohio Revised Code Misc. local legislative body policies; charter requirements – Establishment of policies, restrictions on use, prohibitions for cell phones, government credit cards and purchasing cards, and government-owned vehicles and equipment Sections 5705.14, 5705.15, and 5705.16 states that most governmental entities have the authority to provide cell phones, credit cards and purchasing cards for use by authorized employees and to provide government-owned vehicles and equipment (e.g., computers, internet and phone usage, etc.) for use by authorized users. The use of these items should be specified in a policy the government's legislative body adopts. A recommendation was issued in the previous audit to adopt a credit card policy. In early 2006, the City implemented an "Agreement to Accept the National City Credit Card for Business Purchasing" form. This form was implemented to provide documentation that the cardholder acknowledged receipt of card; agreed to use the card for only approved purchases and to follow applicable budgetary requirements; and that improper use of card may result in disciplinary action. In late 2006, the City Finance Office drafted a credit card policy for adoption by Council. This policy has not been formally adopted as of the date of the audit report.

**Client Response:**

The City will formalize the policy by formal resolution.

**CITY OF RIVERSIDE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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**Finding No 2006-005**

*Significant Deficiency: Bank Reconciliation Monitoring Review*

Bank reconciliations are prepared monthly by the City. However, this reconciliation is not reviewed for accuracy and completeness by an individual independent of the receipting, disbursing, and recording process. These functions should be performed, or, at a minimum, monitored by an individual, or individuals, independent of these functions, in order to provide assurance that errors, irregularities, or fraudulent activity have not occurred. The City should implement procedures to ensure independent checks and balances are in place to provide such assurance.

**Client Response:**

As of January 2007, monthly reconciliations were performed by someone independent of the receipting, disbursing, and recording process.

**City of Riverside**  
**Montgomery County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended December 31, 2006*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	The City made appropriations in excess of total estimated resources	Yes	Corrected
2005-002	The City made expenditures and encumbrances in excess of appropriations at the legal level of control	No	Reissued – See current year finding 2006-002.







**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  
SEPTEMBER 18, 2007**