

City of Riverside

Montgomery County

Regular Audit

January 1, 2007 through December 31, 2007

BALESTRA, HARR & SCHERER CPAs, INC.

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

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com



Mary Taylor, CPA
Auditor of State

City Council
City of Riverside
1791 Harshman Road
Riverside, Ohio 45424-5017

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, 2007 through December 31, 2007. 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

October 28, 2008

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City of Riverside
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For the Year Ended December 31, 2007

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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, 2007, 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.

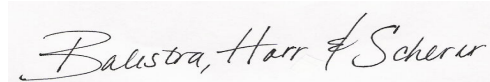
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2007, 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.

City Council
City of Riverside
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, 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.

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50 *Pension Disclosures*.



Balestra, Harr & Scherer, CPAs, Inc.
August 29, 2008

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

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, 2007. 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 \$3,576,933, which represents a 25.90 percent increase from 2006.

General revenues of governmental activities accounted for \$9,579,946 or 67.07 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,704,092 or 32.93 percent of total revenues of \$14,284,038.

The City had \$10,707,105 in expenses related to governmental activities; \$4,704,092 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily income taxes) of \$9,579,946 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.

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.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

Reporting the City as a Whole

One of the most important questions asked about the City is “How did we do financially during 2007?” 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, 2007

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.

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 2006 compared to 2007.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

Table 1
Net Assets

	Governmental Activities		Increase (Decrease)
	2006	2007	
Assets			
Current and Other Assets	\$12,753,530	\$15,240,381	\$2,486,851
Nondepreciable Capital Assets	2,774,635	2,804,350	29,715
Depreciable Capital Assets, Net	5,536,278	6,509,894	973,616
Total Assets	21,064,443	24,554,625	3,490,182
Liabilities			
Current and Other Liabilities	4,880,861	5,115,718	234,857
Long-Term Liabilities:			
Due Within One Year	471,236	499,176	27,940
Due in More Than One Year	1,901,455	1,551,907	(349,548)
Total Liabilities	7,253,552	7,166,801	(86,751)
Net Assets			
Invested in Capital Assets, Net Of			
Related Debt	4,374,802	5,841,854	1,467,052
Restricted	2,897,655	2,552,408	(345,247)
Unrestricted	6,538,434	8,993,562	2,455,128
Total Net Assets	\$13,810,891	\$17,387,824	\$3,576,933

Current and other assets of governmental activities increased by \$2,486,851 or 19.50 percent compared to 2006, more specifically an increase in cash and ash equivalents, intergovernmental receivable and income taxes receivable. The increase in the cash and cash equivalents, mainly in the General Fund, was a result of the addition of property tax revenue in the Police Fund which reduced the amount needed to be subsidized from the General Fund. Intergovernmental receivable increased due to the timing of when grants are received for various projects. The increase in income taxes receivable resulted from a lottery winner who paid income taxes on the winnings in 2007 but the City did not receive this money until January 2008.

Capital assets of governmental activities showed an increase of 12.07 percent or \$1,003,331 when compared to the prior year. This increase is due to various street projects that were done during 2007, as well as the purchase of a dump truck and an ambulance.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

Overall liabilities decreased by \$86,751 as current liabilities increased \$234,857 and long-term liabilities decreased by \$321,608. Current liabilities increased, mainly contracts and retainage payable, due to the timing of when construction projects were paid. Long-term liabilities decreased as debt payments were made during the year.

Invested in capital assets, net of related debt increased as a result of the increase in capital assets coupled with the debt payments made during 2007. Unrestricted net assets increased \$2,455,128 from 2006. The increase from 2005 to 2006 was \$2,444,555, nearly identical to the increase from 2006 to 2007. The main reason for this increase for both years was the collection of a property tax levy in the Police Fund that began in 2006. This additional revenue in the Police Fund drastically decreased the need for unrestricted money from the General Fund in the form of transfers.

Table 2 shows the changes in net assets for the year ended December 31, 2006 and 2007.

Table 2
Changes In Net Assets

	2006	2007	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	\$2,061,388	\$1,987,026	(\$74,362)
Operating Grants and Contributions	1,290,510	1,429,168	138,658
Capital Grants and Contributions	573,145	1,287,898	714,753
Total Program Revenues	<u>3,925,043</u>	<u>4,704,092</u>	<u>779,049</u>
General Revenues:			
Property Taxes	2,387,089	2,358,177	(28,912)
Income Taxes	4,513,913	5,776,774	1,262,861
Other Local Taxes	247,494	253,860	6,366
Grants and Entitlements not Restricted to Specific Programs	658,420	713,044	54,624
Unrestricted Investment Earnings	317,732	381,022	63,290
Gain on Sale of Capital Assets	123,212	0	(123,212)
Miscellaneous	110,994	97,069	(13,925)
Total General Revenues	<u>8,358,854</u>	<u>9,579,946</u>	<u>1,221,092</u>
Total Revenues	<u>\$12,283,897</u>	<u>\$14,284,038</u>	<u>2,000,141</u>

(continued)

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

Table 2
Changes in Net Assets
(Continued)

	2006	2007	Increase (Decrease)
Program Expenses			
General Government	\$2,206,874	\$2,033,823	(\$173,051)
Security of Persons and Property	5,203,333	6,116,657	913,324
Public Health Services	2,658	2,678	20
Leisure Time Activities	61,637	46,111	(15,526)
Community and Economic Development	343,106	520,064	176,958
Transportation	1,351,099	1,819,920	468,821
Interest and Fiscal Charges	153,354	167,852	14,498
Total Expenses	<u>9,322,061</u>	<u>10,707,105</u>	<u>\$1,385,044</u>
Increase in Net Assets	2,961,836	3,576,933	
Net Assets at Beginning of Year	<u>10,849,055</u>	<u>13,810,891</u>	
Net Assets at End of Year	<u>\$13,810,891</u>	<u>\$17,387,824</u>	

Governmental Activities

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were 32.93 percent of total revenues for 2007. The large increase from 2006 occurred in capital grants and contributions, mainly the result of community development block grants and economic development/government equity program grants received for street projects.

General revenues were 67.07 percent of total revenues for 2007. The 1.5 percent income tax is the largest source of revenue for the City of Riverside, making up 40.44 percent of revenues for governmental activities for the year ended 2007. 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. The large increase in income taxes for 2007 was mainly the result of a lottery winner who paid income taxes on the winnings.

Property tax revenue made up 16.51 percent of revenue for governmental activities of the City of Riverside for the year ended 2007. Grants and Entitlements not Restricted to Specific Programs made up 4.99 percent of revenue for governmental activities for a total of 61.94 percent of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

Overall expenses increased \$1,385,044 during 2007. The largest increase was in security of persons and property, mainly the result of the increase in police protection due to more resources available to the police department from the property tax levy.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

The City received an economic development/government equity program grant to renovate an office building located within the City in the hopes that new business will occupy the building. These renovations are the main reason community and economic development expenses increased.

Transportation expenses increased mainly due to a street line safety replacement project that was done during 2007.

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

General Government	18.99%
Security of Persons and Property	57.13%
Public Health Services	0.02%
Leisure Time Activities	0.43%
Community and Economic Development	4.86%
Transportation	17.00%
Interest and Fiscal Charges	1.57%
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 57.13 percent, is related to the implementation of safety forces. A distant second, 18.99 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 23.88 percent of expenses.

The City's Funds

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,503,696 and expenditures of \$12,033,295. The General Fund balance increased by \$1,960,710. The General Fund did not have to transfer as much money to the Police Fund during 2007 to subsidize that fund because of the collection of property tax revenues from the police levy. Also, the City received a large increase in income taxes revenue due to a lottery winner paying taxes on the 2007 winnings.

The Fire Fund balance increased \$88,460. Transfers in from the General Fund increased from 2006 to subsidize this fund causing the fund balance to increase.

The Street / Public Service Fund balance decreased \$14,286. During 2006 the fund balance increased by \$131,647. The reason the fund balance in 2007 decreased yet increased in 2006 was because of a decrease of approximately \$200,000 in transfers in during 2007 compared to 2006.

City of Riverside
Management's Discussion and Analysis
For The Year Ended December 31, 2007

The Police Fund had a decrease in fund balance of \$65,015. Revenues remained constant from 2006 and expenditures increased due to retroactive pay increases per the union agreements. The General Fund transfers in money to subsidize this fund.

The DAP Facility Fund balance decreased by \$76,699 mainly the result of interest and fiscal charges on the note payment.

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 \$7,810,131, were equal to the original budgeted revenues. Actual General Fund revenues of \$7,262,721 were less than final budgeted amounts by \$547,410. This was due to the significantly lower than projected income and property tax revenue originally projected by the City. This was offset by the significantly large increase in interest revenue projected by the city due to a higher fund balance available to invest.

The increase in expenditures from the original to the final budget was 8.51 percent. Actual expenditures of \$2,656,624 were 19.46 percent less than final budgeted expenditures of \$3,298,356. 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 \$1,170,455 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the City had \$9,314,244 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$1,003,331 from the prior year. Increases in capital assets included various land acquisitions, building construction, routine machinery and equipment purchases, a new dump truck, a new ambulance, 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, 2007

Debt

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$1,723,348 and bond anticipation notes in the amount of \$40,138. The City also had short-term notes in the amount of \$1,623,000. 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, 2007

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting</u> <u>Entity</u>
	<u>Governmental</u> <u>Activities</u>	<u>Riverside Community</u> <u>Improvement Corporation</u>	
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,550,312	\$0	\$6,550,312
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents - Budget Stabilization	538,057	0	538,057
Accounts Receivable	865,791	0	865,791
Accrued Interest Receivable	28,461	0	28,461
Intergovernmental Receivable	1,407,709	0	1,407,709
Income Taxes Receivable	2,953,429	0	2,953,429
Property Taxes Receivable	2,263,287	0	2,263,287
Other Local Taxes Receivable	68,591	0	68,591
Special Assessments Receivable	454,803	0	454,803
Due from Component Unit	109,941	0	109,941
Real Estate Held for Resale	0	109,941	109,941
Capital Assets:			
Nondepreciable Capital Assets	2,804,350	0	2,804,350
Depreciable Capital Assets, Net	6,509,894	0	6,509,894
<i>Total Assets</i>	<u>24,554,625</u>	<u>109,941</u>	<u>24,664,566</u>
Liabilities:			
Accounts Payable	316,864	0	316,864
Contracts Payable	274,437	0	274,437
Retainage Payable	20,020	0	20,020
Accrued Wages and Benefits Payable	171,702	0	171,702
Intergovernmental Payable	516,665	0	516,665
Deferred Revenue	2,165,916	0	2,165,916
Accrued Vacation Leave Payable	14,928	0	14,928
Accrued Interest Payable	12,186	0	12,186
Notes Payable	1,623,000	0	1,623,000
Long-Term Liabilities:			
Due Within One Year	499,176	0	499,176
Due in More Than One Year	1,551,907	109,941	1,661,848
<i>Total Liabilities</i>	<u>7,166,801</u>	<u>109,941</u>	<u>7,276,742</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,841,854	0	5,841,854
Restricted for:			
Capital Outlay	284,840	0	284,840
Transportation	1,178,405	0	1,178,405
Security of Persons and Property	537,090	0	537,090
Other Purposes	14,016	0	14,016
Budget Stabilization	538,057	0	538,057
Unrestricted	8,993,562	0	8,993,562
<i>Total Net Assets</i>	<u>\$17,387,824</u>	<u>\$0</u>	<u>\$17,387,824</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General Government	\$2,033,823	\$1,010,520	\$0	\$0	(\$1,023,303)
Security of Persons and Property	6,116,657	870,122	306,230	0	(4,940,305)
Public Health Services	2,678	450	0	0	(2,228)
Leisure Time Activities	46,111	0	0	0	(46,111)
Community and Economic Development	520,064	10,168	0	1,203,988	694,092
Transportation	1,819,920	95,766	1,122,938	83,910	(517,306)
Interest and Fiscal Charges	167,852	0	0	0	(167,852)
<i>Total Governmental Activities</i>	<u>\$10,707,105</u>	<u>\$1,987,026</u>	<u>\$1,429,168</u>	<u>\$1,287,898</u>	<u>(6,003,013)</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					425,742
Public Safety					1,932,435
Income Taxes Levied for General Purposes					5,776,774
Other Local Taxes					253,860
Grants and Entitlements not					
Restricted to Specific Programs					713,044
Unrestricted Investment Earnings					381,022
Miscellaneous					97,069
<i>Total General Revenues</i>					<u>9,579,946</u>
<i>Change in Net Assets</i>					3,576,933
<i>Net Assets at Beginning of Year</i>					<u>13,810,891</u>
<i>Net Assets at End of Year</i>					<u>\$17,387,824</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Fire Fund	Street / Public Service Fund
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,982,535	\$257,509	\$323,115
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents - Budget Stabilization	538,057	0	0
Receivables:			
Accounts	569,464	296,157	155
Accrued Interest	28,461	0	0
Intergovernmental	406,939	46,072	443,274
Income Taxes	2,953,429	0	0
Property Taxes	399,574	646,803	0
Other Local Taxes	68,591	0	0
Special Assessments	0	0	367,541
Interfund	191,902	0	0
Due from Component Unit	0	0	0
<i>Total Assets</i>	<u>\$10,138,952</u>	<u>\$1,246,541</u>	<u>\$1,134,085</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$69,173	\$56,851	\$53,579
Contracts Payable	11,103	0	8,773
Retainage Payable	0	0	0
Accrued Wages and Benefits Payable	16,816	48,119	23,229
Intergovernmental Payable	41,330	156,040	72,673
Accrued Interest Payable	0	0	0
Accrued Vacation Leave Payable	6,060	7,867	0
Interfund Payable	0	0	0
Deferred Revenue	3,117,786	936,817	730,909
Notes Payable	0	0	0
<i>Total Liabilities</i>	<u>3,262,268</u>	<u>1,205,694</u>	<u>889,163</u>
Fund Balances:			
Reserved for Encumbrances	95,066	95,910	118,617
Reserved for Due from Component Unit	0	0	0
Unreserved:			
Designated:			
Budget Stabilization	538,057	0	0
Undesignated, Reported in:			
General Fund	6,243,561	0	0
Special Revenue Funds (Deficit)	0	(55,063)	126,305
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u>6,876,684</u>	<u>40,847</u>	<u>244,922</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,138,952</u>	<u>\$1,246,541</u>	<u>\$1,134,085</u>

See Accompanying Notes to the Basic Financial Statements

Police Fund	DAP Facility Fund	Nonmajor Funds	Total Governmental Funds
\$178,676	\$35,289	\$773,188	\$6,550,312
0	0	0	538,057
15	0	0	865,791
0	0	0	28,461
121,046	0	390,378	1,407,709
0	0	0	2,953,429
1,216,910	0	0	2,263,287
0	0	0	68,591
0	0	87,262	454,803
0	0	0	191,902
0	0	109,941	109,941
<u>\$1,516,647</u>	<u>\$35,289</u>	<u>\$1,360,769</u>	<u>\$15,432,283</u>
\$25,201	\$0	\$112,060	\$316,864
0	0	254,561	274,437
0	0	20,020	20,020
82,284	0	1,254	171,702
242,644	0	3,978	516,665
0	5,378	0	5,378
560	0	441	14,928
0	0	191,902	191,902
1,325,654	0	567,063	6,678,229
0	1,623,000	0	1,623,000
<u>1,676,343</u>	<u>1,628,378</u>	<u>1,151,279</u>	<u>9,813,125</u>
125,925	1,144	120,998	557,660
0	0	109,941	109,941
0	0	0	538,057
0	0	0	6,243,561
(285,621)	(1,594,233)	261,859	(1,546,753)
0	0	46,633	46,633
0	0	(329,941)	(329,941)
<u>(159,696)</u>	<u>(1,593,089)</u>	<u>209,490</u>	<u>5,619,158</u>
<u>\$1,516,647</u>	<u>\$35,289</u>	<u>\$1,360,769</u>	<u>\$15,432,283</u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007

Total Governmental Fund Balances \$5,619,158

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	2,804,350
Land Improvements	115,294
Building and Building Improvements	2,459,674
Machinery and Equipment	1,876,713
Vehicles	3,124,131
Infrastructure	3,091,343
Accumulated Depreciation	<u>(4,157,261)</u>

Total 9,314,244

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

Income Taxes	1,765,787
Property Taxes	97,371
Other Local Taxes	65,844
Special Assessments	454,803
Intergovernmental	1,182,245
Accounts	820,745
Loans	109,941
Interest	<u>15,577</u>

Total 4,512,313

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

Accrued Interest	(6,808)
Bond Anticipation Notes	(40,138)
General Obligation Bonds	(1,723,348)
Capital Leases	(126,042)
Compensated Absences	<u>(161,555)</u>

Total (2,057,891)

Net Assets of Governmental Activities \$17,387,824

See Accompanying Notes to the Basic Financial Statements

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City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Fire Fund	Street / Public Service Fund
Revenues:			
Income Taxes	\$5,139,761	\$0	\$0
Property Taxes	427,982	692,432	0
Other Local Taxes	247,319	0	0
Special Assessments	0	0	74,841
Intergovernmental	975,411	109,409	968,199
Charges for Services	1,037,064	686,730	0
Licenses and Permits	39,263	0	0
Fines and Forfeitures	0	0	0
Interest	377,671	0	0
Miscellaneous	18,316	8,470	9,369
<i>Total Revenues</i>	<u>8,262,787</u>	<u>1,497,041</u>	<u>1,052,409</u>
Expenditures:			
Current Operations and Maintenance:			
General Government	1,992,395	0	0
Security of Persons and Property	51,583	2,005,299	0
Public Health Services	0	0	0
Leisure Time Activities	33,548	0	0
Community and Economic Development	242,926	0	0
Transportation	0	0	1,042,815
Capital Outlay	132,573	200,384	359,752
Debt Service:			
Principal Retirement	5,873	0	68,089
Interest and Fiscal Charges	1,154	0	8,539
<i>Total Expenditures</i>	<u>2,460,052</u>	<u>2,205,683</u>	<u>1,479,195</u>
Excess of Revenues Over (Under) Expenditures	<u>5,802,735</u>	<u>(708,642)</u>	<u>(426,786)</u>
Other Financing Sources (Uses):			
Transfers In	0	797,102	412,500
Transfers Out	<u>(3,842,025)</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(3,842,025)</u>	<u>797,102</u>	<u>412,500</u>
<i>Net Change in Fund Balance</i>	1,960,710	88,460	(14,286)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>4,915,974</u>	<u>(47,613)</u>	<u>259,208</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$6,876,684</u></u>	<u><u>\$40,847</u></u>	<u><u>\$244,922</u></u>

See Accompanying Notes to the Basic Financial Statements

Police Fund	DAP Facility Fund	Nonmajor Funds	Total Governmental Funds
\$0	\$0	\$0	\$5,139,761
1,246,483	0	0	2,366,897
0	0	0	247,319
0	0	175,426	250,267
142,736	38,681	987,579	3,222,015
0	0	450	1,724,244
0	0	0	39,263
31,691	0	6,773	38,464
0	0	0	377,671
48,798	5,000	7,842	97,795
1,469,708	43,681	1,178,070	13,503,696
0	0	0	1,992,395
3,422,495	0	294,250	5,773,627
0	0	2,520	2,520
0	0	0	33,548
0	48,696	3,094	294,716
0	0	143,692	1,186,507
190,897	0	1,351,589	2,235,195
56,303	0	215,419	345,684
7,318	71,684	80,408	169,103
3,677,013	120,380	2,090,972	12,033,295
(2,207,305)	(76,699)	(912,902)	1,470,401
2,142,290	0	490,133	3,842,025
0	0	0	(3,842,025)
2,142,290	0	490,133	0
(65,015)	(76,699)	(422,769)	1,470,401
(94,681)	(1,516,390)	632,259	4,148,757
(\$159,696)	(\$1,593,089)	\$209,490	\$5,619,158

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, 2007

Net Change in Fund Balances - Total Governmental Funds \$1,470,401

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	1,618,499	
Depreciation	<u>(615,168)</u>	
Excess of Capital Outlay over Depreciation Expense		1,003,331

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	637,013	
Property Taxes	(8,720)	
Other Local Taxes	6,541	
Special Assessments	8,423	
Intergovernmental	208,095	
Charges for Services	(71,110)	
Fines and Forfeitures	(2,525)	
Miscellaneous	(726)	
Accrued Interest	<u>3,351</u>	
		780,342

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	21,963	
General Obligation Bonds Payments	215,419	
Capital Leases Payments	<u>108,302</u>	
		345,684

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		1,251
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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		<u>(24,076)</u>
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Change in Net Assets of Governmental Activities \$3,576,933

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, 2007

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	\$4,603,600	\$4,603,600	\$4,216,224	(\$387,376)
Property Taxes	410,000	410,000	427,982	17,982
Other Local Taxes	250,000	250,000	247,332	(2,668)
Intergovernmental	1,301,831	1,301,831	917,129	(384,702)
Charges for Services	1,020,000	1,020,000	1,037,064	17,064
Licenses and Permits	34,700	34,700	38,961	4,261
Interest	180,000	180,000	363,254	183,254
Miscellaneous	10,000	10,000	14,775	4,775
<i>Total Revenues</i>	<u>7,810,131</u>	<u>7,810,131</u>	<u>7,262,721</u>	<u>(547,410)</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	2,440,730	2,568,715	2,140,158	428,557
Security of Persons and Property	59,900	59,900	51,583	8,317
Leisure Time Activities	56,395	56,395	43,343	13,052
Community and Economic Development	356,800	337,422	284,793	52,629
Capital Outlay	<u>125,924</u>	<u>275,924</u>	<u>136,747</u>	<u>139,177</u>
<i>Total Expenditures</i>	<u>3,039,749</u>	<u>3,298,356</u>	<u>2,656,624</u>	<u>641,732</u>
Excess of Revenues Over Expenditures	<u>4,770,382</u>	<u>4,511,775</u>	<u>4,606,097</u>	<u>94,322</u>
Other Financing Sources (Uses):				
Advances - In	0	0	143,098	143,098
Advances - Out	0	0	(335,000)	(335,000)
Transfers Out	<u>(5,152,860)</u>	<u>(5,110,060)</u>	<u>(3,842,025)</u>	<u>1,268,035</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(5,152,860)</u>	<u>(5,110,060)</u>	<u>(4,033,927)</u>	<u>1,076,133</u>
<i>Net Change in Fund Balance</i>	(382,478)	(598,285)	572,170	1,170,455
<i>Fund Balance at Beginning of Year</i>	4,762,686	4,762,686	4,762,686	0
<i>Prior Year Encumbrances</i>	<u>89,549</u>	<u>89,549</u>	<u>89,549</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,469,757</u></u>	<u><u>\$4,253,950</u></u>	<u><u>\$5,424,405</u></u>	<u><u>\$1,170,455</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, 2007

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	\$685,000	\$685,000	\$692,432	\$7,432
Intergovernmental	90,000	90,000	108,858	18,858
Charges for Services	525,000	525,000	690,932	165,932
Miscellaneous	199,000	199,000	3,870	(195,130)
<i>Total Revenues</i>	<u>1,499,000</u>	<u>1,499,000</u>	<u>1,496,092</u>	<u>(2,908)</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	2,504,891	2,219,815	2,088,121	131,694
Capital Outlay	262,828	226,103	223,178	2,925
<i>Total Expenditures</i>	<u>2,767,719</u>	<u>2,445,918</u>	<u>2,311,299</u>	<u>134,619</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,268,719)</u>	<u>(946,918)</u>	<u>(815,207)</u>	<u>131,711</u>
Other Financing Sources (Uses):				
Transfers In	1,145,000	1,145,000	797,102	(347,898)
Transfers Out	0	(1,000)	0	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>1,145,000</u>	<u>1,144,000</u>	<u>797,102</u>	<u>(346,898)</u>
<i>Net Change in Fund Balance</i>	(123,719)	197,082	(18,105)	(215,187)
<i>Fund Balance at Beginning of Year</i>	1,128	1,128	1,128	0
<i>Prior Year Encumbrances</i>	<u>123,418</u>	<u>123,418</u>	<u>123,418</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$827</u></u>	<u><u>\$321,628</u></u>	<u><u>\$106,441</u></u>	<u><u>(\$215,187)</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, 2007

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Special Assessments	\$80,000	\$80,000	\$74,841	(\$5,159)
Intergovernmental	880,000	880,000	955,390	75,390
Miscellaneous	169,000	169,000	9,369	(159,631)
<i>Total Revenues</i>	<u>1,129,000</u>	<u>1,129,000</u>	<u>1,039,600</u>	<u>(89,400)</u>
Expenditures:				
Current Operations and Maintenance:				
Transportation	1,369,404	1,301,742	1,103,499	198,243
Capital Outlay	632,733	524,726	473,090	51,636
Debt Service:				
Principal Retirement	21,963	21,963	21,963	0
Interest and Fiscal Charges	21,137	1,906	1,894	12
<i>Total Expenditures</i>	<u>2,045,237</u>	<u>1,850,337</u>	<u>1,600,446</u>	<u>249,891</u>
Excess of Revenues Under Expenditures	(916,237)	(721,337)	(560,846)	160,491
Other Financing Sources:				
Transfers In	650,000	650,000	412,500	(237,500)
<i>Net Change in Fund Balance</i>	(266,237)	(71,337)	(148,346)	(77,009)
<i>Fund Balance at Beginning of Year</i>	90,464	90,464	90,464	0
<i>Prior Year Encumbrances</i>	<u>176,437</u>	<u>176,437</u>	<u>176,437</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$664</u></u>	<u><u>\$195,564</u></u>	<u><u>\$118,555</u></u>	<u><u>(\$77,009)</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, 2007

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	\$1,304,000	\$1,304,000	\$1,246,483	(\$57,517)
Intergovernmental	0	0	142,178	142,178
Fines and Forfeitures	38,600	38,600	30,839	(7,761)
Miscellaneous	159,000	159,000	48,104	(110,896)
<i>Total Revenues</i>	<u>1,501,600</u>	<u>1,501,600</u>	<u>1,467,604</u>	<u>(33,996)</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	4,235,792	3,827,493	3,579,926	247,567
Capital Outlay	229,924	223,574	216,525	7,049
<i>Total Expenditures</i>	<u>4,465,716</u>	<u>4,051,067</u>	<u>3,796,451</u>	<u>254,616</u>
Excess of Revenues Under Expenditures	(2,964,116)	(2,549,467)	(2,328,847)	220,620
Other Financing Sources:				
Transfers In	2,750,000	2,750,000	2,142,290	(607,710)
<i>Net Change in Fund Balance</i>	(214,116)	200,533	(186,557)	(387,090)
<i>Fund Balance at Beginning of Year</i>	10,294	10,294	10,294	0
<i>Prior Year Encumbrances</i>	204,114	204,114	204,114	0
<i>Fund Balance at End of Year</i>	<u>\$292</u>	<u>\$414,941</u>	<u>\$27,851</u>	<u>(\$387,090)</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, 2007

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$0	\$0	\$38,681	\$38,681
Miscellaneous	24,500	24,500	5,000	(19,500)
<i>Total Revenues</i>	<u>24,500</u>	<u>24,500</u>	<u>43,681</u>	<u>19,181</u>
Expenditures:				
Current Operations and Maintenance:				
Community and Economic Development	83,542	83,542	49,840	33,702
Capital Outlay	108,435	108,435	0	108,435
Debt Service:				
Principal Retirement	1,763,000	1,763,000	1,763,000	0
Interest and Fiscal Charges	85,000	85,000	72,173	12,827
<i>Total Expenditures</i>	<u>2,039,977</u>	<u>2,039,977</u>	<u>1,885,013</u>	<u>154,964</u>
Excess of Revenues Under Expenditures	<u>(2,015,477)</u>	<u>(2,015,477)</u>	<u>(1,841,332)</u>	<u>174,145</u>
Other Financing Sources:				
Bond Anticipation Notes Issued	1,763,000	1,763,000	1,623,000	(140,000)
Total Other Financing Sources	<u>1,763,000</u>	<u>1,763,000</u>	<u>1,623,000</u>	<u>(140,000)</u>
<i>Net Change in Fund Balance</i>	(252,477)	(252,477)	(218,332)	34,145
<i>Fund Balance at Beginning of Year</i>	100,504	100,504	100,504	0
<i>Prior Year Encumbrances</i>	<u>151,973</u>	<u>151,973</u>	<u>151,973</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$34,145</u></u>	<u><u>\$34,145</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2007

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$8,000</u></u>
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Liabilities:

Undistributed Assets	<u><u>\$8,000</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, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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, 2007, but were levied to finance 2008 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, 2007

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 Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, United States Treasury Notes, Corporate Notes, and STAROhio. 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, 2007

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, 2007.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2007 amounted to \$377,671, which includes \$72,855 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, 2007

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, 2007

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 fund (General 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 \$2,552,408 of restricted net assets, \$538,057 of which is restricted by enabling legislation.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

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 fund (General 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 2007, the City has implemented *Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*, *GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”*, and *GASB Statement No. 50, “Pension Disclosures”*.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$58,811 and \$190,913, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2007, the Police Special Revenue Fund, DAP Facility Special Revenue Fund, Ohio Public Works/Issue II Capital Projects Fund, and County Grant Capital Projects Fund had deficit fund balances of \$159,696, \$1,593,089, \$166,996 and \$5,699, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The County Grant Special Revenue Fund had an excess of appropriations over estimated resources plus available balances for the final budgets at December 31, 2007 of \$25,420. The City will monitor budgetary controls more closely to ensure appropriations do not exceed estimated resources and available balances in the future.

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).
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).

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$1,960,710	\$88,460	(\$14,286)	(\$65,015)	(\$76,699)
Increases (Decreases) Due To:					
Revenue Accruals	(990,267)	(949)	(12,809)	(2,104)	0
Expenditure Accruals	(76,169)	45,452	83,309	31,387	(489)
Encumbrances	(120,403)	(151,068)	(204,560)	(150,825)	(1,144)
Debt Service - Principal Retirement	0	0	0	0	(1,763,000)
Note Proceeds	0	0	0	0	1,623,000
Unrecorded Cash - 2006	(34,015)	0	0	0	0
Unrecorded Cash - 2007	24,216	0	0	0	0
Advances	(191,902)	0	0	0	0
Budget Basis	<u>\$572,170</u>	<u>(\$18,105)</u>	<u>(\$148,346)</u>	<u>(\$186,557)</u>	<u>(\$218,332)</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

Active 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.

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

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

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper if training requirements have been met.

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

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

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

Investments may only be made through specified dealers and institutions.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2007, 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	2-3	3-4	4-5
Federal Home Loan Mortgage Corporation (FHLMC) Notes	\$553,476	\$290,192	\$263,284	\$0	\$0	\$0
Federal Home Loan Mortgage Corporation Discount Notes	128,975	128,975	0	0	0	0
Federal National Mortgage Association (FNMA) Notes	463,655	200,149	263,506	0	0	0
Federal Home Loan Bank Notes	123,867	123,867	0	0	0	0
Federal Home Loan Bank Bonds	507,475	119,954	71,116	100,094	0	216,311
Federal Home Loan Bank Discount Notes	624,575	427,122	197,453	0	0	0
US Treasury Notes	195,403	195,403	0	0	0	0
Corporate Notes	198,948	0	0	98,784	100,164	0
STAROhio	119,977	119,977	0	0	0	0
Totals	\$2,916,351	\$1,605,639	\$795,359	\$198,878	\$100,164	\$216,311

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, 2007

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: 60 percent for US Treasury Notes, 35 percent in a single issuer, except for obligations or securities guaranteed by the United States. 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 Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, United States Treasury Notes, and Corporate Notes, represents 18.98 percent, 4.42 percent, 15.90 percent, 4.25 percent, 17.40 percent, 21.42 percent, 6.70 percent, and 6.82 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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. 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 2007 is 12.50 percent. This will be reduced to 6.25 for 2008, and zero for 2009.

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, 2007, 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 2007 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation.

The full tax rate for all City operations for the year ended December 31, 2007, was \$11.34 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$279,030,340
Public Utility Personal	6,516,630
General Business Personal	8,023,274
Totals	<u><u>\$293,570,244</u></u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 9 – RECEIVABLES

Receivables at December 31, 2007, 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 \$316,046. The City had \$2,204 in delinquent special assessments at December 31, 2007.

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, 2007, 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	\$187,595
County Local Government	262,038
State Local Government	25,853
Gasoline Excise Tax	259,368
Motor Vehicle License Tax	80,457
Cents per Gallon	132,439
Estate Tax	70,693
Permissive Tax	12,199
OCJS/VOCA Grant	21,316
COAF Grant	5,658
EDGE /MTC Retention and Expansion Project	142,473
CDAC/CCAC Valley Street Reconstruction Grant	55,038
Valley Pike Phase I Road Reconstruction Grant	123,952
Montgomery County Sanitary	6,409
Fines and Forfeiture	3,549
City of Huber Heights	3,532
Refund of Unspent Funds	14,047
Ohio Police and Fire Pension	1,093
Total Intergovernmental Receivable	<u><u>\$1,407,709</u></u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007, was as follows:

	Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$2,774,635	\$29,715	\$0	\$2,804,350
Depreciable Capital Assets:				
Land Improvements	115,294	0	0	115,294
Buildings and Building Improvements	2,351,816	107,858	0	2,459,674
Machinery and Equipment	1,603,268	273,445	0	1,876,713
Vehicles	2,904,371	260,392	(40,632)	3,124,131
Infrastructure	2,144,254	947,089	0	3,091,343
Total Depreciable Capital Assets	<u>9,119,003</u>	<u>1,588,784</u>	<u>(40,632)</u>	<u>10,667,155</u>
Less Accumulated Depreciation:				
Land Improvements	(58,773)	(4,670)	0	(63,443)
Buildings and Building Improvements	(402,272)	(56,800)	0	(459,072)
Machinery and Equipment	(848,270)	(143,237)	0	(991,507)
Vehicles	(2,185,257)	(286,279)	40,632	(2,430,904)
Infrastructure	(88,153)	(124,182)	0	(212,335)
Total Accumulated Depreciation	<u>(3,582,725)</u>	<u>(615,168)</u>	<u>40,632</u>	<u>(4,157,261)</u>
Depreciable Capital Assets, Net	<u>5,536,278</u>	<u>973,616</u>	<u>0</u>	<u>6,509,894</u>
Governmental Activities Capital Assets, Net	<u>\$8,310,913</u>	<u>\$1,003,331</u>	<u>\$0</u>	<u>\$9,314,244</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$41,081
Security of Persons and Property	320,775
Public Health Services	158
Leisure Time Activities	12,563
Community and Economic Development	65
Transportation	240,526
Total Depreciation Expense	<u>\$615,168</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a costsharing, 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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 memberdirected 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.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6.0 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$109,411, \$115,973, and \$119,164 respectively; 90.93 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$9,195 made by the City and \$6,307 made by the plan members.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension 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.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$222,317 and \$145,637 for the year ended December 31, 2007, \$186,182 and \$142,817 for the year ended December 31, 2006, and \$153,792 and \$143,466 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 71.85 percent has been contributed for police and 69.48 percent has been contributed for firefighters for 2007.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$80,024, \$58,811 and \$49,911 respectively; 90.93 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

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

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

Funding Policy - OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$117,697 and \$56,988 for the year ended December 31, 2007, \$122,801 and \$68,113 for the year ended December 31, 2006, and \$101,438 and \$68,422 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 71.85 percent has been contributed for police and 69.48 percent has been contributed for firefighters for 2007.

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

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, Ohio Municipal League 457 Deferred Compensation Plan, International City Manager Association 457 Deferred Compensation Plan or the Ohio Association of Professional Fire Fighters 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The 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, 2007

NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE

During 2007 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 2007 totaled \$108,302 in the governmental funds.

The assets acquired through capital lease as of December 31, 2007, are as follows:

	Asset Value	Accumulated Depreiation	Net Book Value
Copier Equipment	\$6,337	\$5,068	\$1,269
Police Cruisers	175,418	116,945	58,473
Street Sweeper	148,233	98,822	49,411
Phone System	30,466	18,279	12,187
	<u>\$360,454</u>	<u>\$239,114</u>	<u>\$121,340</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, 2007:

Year Ending December 31,	Amount
2008	123,419
2009	7,027
2010	4,099
Total	<u>134,545</u>
Less: Amount representing Interest	<u>(8,503)</u>
Present Value of Minimum Lease Payments	<u>\$126,042</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City’s long-term obligations during 2007 consisted of the following:

	Balance at December 31, 2006	Issued	Retired	Balance at December 31, 2007	Due Within One Year
<u>Governmental Activities:</u>					
<u>Bond Anticipation Notes:</u>					
2002 Sidewalk Special Assessment Bond Anticipation Note - 3.23% \$23,000	\$2,780	\$0	\$2,780	\$0	\$0
2004 Sidewalk Special Assessment Bond Anticipation Note - 3.05% \$96,000	59,321	0	19,183	40,138	19,768
Total Bond Anticipation Notes	<u>62,101</u>	<u>0</u>	<u>21,963</u>	<u>40,138</u>	<u>19,768</u>
<u>General Obligation Bonds:</u>					
2005 Various Purpose Bonds - Unvoted 4.15 % \$2,154,168	1,938,767	0	215,419	1,723,348	215,419
<u>Other Long-Term Obligations:</u>					
Compensated Absences	137,479	259,107	235,031	161,555	148,556
Capital Leases	234,344	0	108,302	126,042	115,433
Total Other Long-Term Obligations	<u>371,823</u>	<u>259,107</u>	<u>343,333</u>	<u>287,597</u>	<u>263,989</u>
Total Governmental Activities	<u>\$2,372,691</u>	<u>\$259,107</u>	<u>\$580,715</u>	<u>\$2,051,083</u>	<u>\$499,176</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.

City of Riverside
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For The Year Ended December 31, 2007

NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

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.

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 \$27,525,161 and the unvoted legal debt margin was \$12,846,648 at December 31, 2007.

Principal and interest requirements to retire the City's outstanding long-term notes and general obligation bonds at December 31, 2007, were:

Year	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	0	0	215,419	35,760
2013-2015	0	0	646,253	53,640
Total	<u>\$40,138</u>	<u>\$1,846</u>	<u>\$1,723,348</u>	<u>\$321,837</u>

City of Riverside
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 16 – SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2007, follows:

<u>Types/Issues</u>	<u>Balance at December 31, 2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at December 31, 2007</u>
2006 Real Estate Acquisition Bond Anticipation Note - 3.98%	\$763,000	\$723,000	\$763,000	\$723,000
2006 Center of Flight Improvement Bond Anticipation Note - 4.09%	<u>1,000,000</u>	<u>900,000</u>	<u>1,000,000</u>	<u>900,000</u>
Total Governmental Activities	<u>\$1,763,000</u>	<u>\$1,623,000</u>	<u>\$1,763,000</u>	<u>\$1,623,000</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 2007, the City paid \$40,000 and reissued \$723,000. The note will mature on November 2, 2008 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 2007, the City paid \$100,000 and reissued \$900,000. The note will mature on December 19, 2008 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, 2007

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, 2007

NOTE 18 – INTERFUND ACTIVITY

Interfund balances at December 31, 2007, consisted of the following amounts and result from moving unrestricted balances to support the Valley Street reconstruction project (Ohio Public Works/Issue II Fund) due to a grant timing issue, and is expected to be paid within one year.

Interfund Payable	Interfund Receivable
Non-Major Funds	General Fund
	\$191,902

Transfers made during the year ended December 31, 2007, were as follows:

Transfers To					
Transfers From	Fire Fund	Street / Public Service Fund	Police Fund	Nonmajor Funds	Total
General Fund	\$797,102	\$412,500	\$2,142,290	\$490,133	\$3,842,025

Transfers from the General Fund were made to move unrestricted balances to support programs and projects.

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 \$12,447 for the operation of the Commission during 2007. 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, 2007

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 2007. 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 received \$63,061 contributions to ED/GE during 2007. 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, 2007

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 2007, the City donated \$3,000 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, 2007, to December 31, 2007, 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, 2007

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, 2006	Issued	Retired	Balance at December 31, 2007	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.

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

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2008. As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50 *Pension Disclosures*. 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting 2007-001.

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 the significant deficiency described above is a material weakness.

Compliance and Other Matters

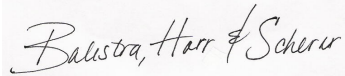
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain matters which we reported to management of the City in a separate letter dated August 29, 2008.

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.

City of Riverside
Montgomery County
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*
Page 3

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.

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.
August 29, 2008

**CITY OF RIVERSIDE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Finding No 2007-001

Significant Deficiency: Proper Recording of Revenues

Sound financial reporting is the responsibility of the City's Finance Director and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. There were immaterial audit adjustments/reclassifications that were noted in relations to the financial statements that were passed on. There was an adjustment that was posted for recording revenues in the wrong fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The City should develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City.

Client Response:

The error was due to the bank not providing adequate information to classify the transfer into the City's account. If these circumstances occur again, the City will contact the bank for clarification.

City of Riverside
Montgomery County, Ohio
Schedule of Prior Audit Findings
For the Fiscal Year Ended December 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	The City made appropriations in excess of available resources	Yes	Fully Corrected
2006-002	The City made expenditures and encumbrances in excess of appropriations at the legal level of control	Yes	Fully Corrected
2006-003	The City had exceeded the maximum allowed by Ohio Revised Code for Reserve Balance Accounts	Yes	Fully Corrected.
2006-004	The City did not have a formal Credit Card Policy adopted.	Yes	Fully Corrected.
2006-005	The City was not reviewing monthly Bank Reconciliations.	Yes	Fully Corrected.



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
NOVEMBER 13, 2008**