



Dave Yost • Auditor of State

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Fire Fund, Street/Public Service Fund, Police Fund, General Assessments Fund, and the Police and Fire Income Tax Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2013

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The discussion and analysis of the City of Riverside's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 had a triennial revaluation of assessed values for property taxes. This revaluation reduced the assessed value which decreased property tax revenues. Also, a reduction of effective rates for tax levies occurred during the year.
- The City received a capital grant from OPWC for a future land purchase.
- Due to a steady turnaround in the economy, the City had an increase in income tax revenues.
- The City closely monitored budgets to keep expenditures at a minimum.

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

Reporting the City as a Whole

One of the most important questions asked about the City is "How did we do financially during 2012?" The Statement of Net Position 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 position and changes in net position. This change in net position 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 Position 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.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

The City as a Whole

As stated previously, the Statement of Net Position provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net position for 2011 compared to 2012.

Table 1			
Net Position			
	Governmental Activities		Increase (Decrease)
	2011	2012	
Assets:			
Current and Other Assets	\$15,370,408	\$15,580,894	\$210,486
Non-depreciable Capital Assets	2,769,404	2,943,411	174,007
Depreciable Capital Assets, Net	7,014,756	7,103,229	88,473
Total Assets	25,154,568	25,627,534	472,966

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

**Table 1
Net Position
(Continued)**

	Governmental Activities		Increase (Decrease)
	2011	2012	
Liabilities:			
Current and Other Liabilities	796,965	971,354	174,389
Long-Term Liabilities:			
Due Within One Year	474,505	417,653	(56,852)
Due in More Than One Year	1,760,298	1,499,168	(261,130)
Total Liabilities	<u>3,031,768</u>	<u>2,888,175</u>	<u>(143,593)</u>
Deferred Inflows of Resources:			
Property Tax	1,926,353	1,947,466	21,113
Payment in Lieu of Taxes	76,864	18,863	(58,001)
Total Deferred Inflows of Resources	<u>2,003,217</u>	<u>1,966,329</u>	<u>(36,888)</u>
Net Position:			
Net Investment in Capital Assets	7,672,944	8,304,834	631,890
Restricted	2,956,067	3,281,219	325,152
Unrestricted	9,490,572	9,186,977	(303,595)
Total Net Position	<u>\$20,119,583</u>	<u>\$20,773,030</u>	<u>\$653,447</u>

Total assets increased \$472,966 mainly due to increase in capital assets from additions being more than depreciation and loss on deletion of assets as well as increase in cash due to capital grant received from OPWC for future land purchase.

Long-term liabilities decreased \$317,982 due to principal and interest payments made on the City's debt.

Net investment in capital assets increased \$631,890 primarily from current year additions exceeding current year depreciation and deletions as well as decrease to long term liabilities from principal payments during the year. Restricted net position increased as a result of the City monitoring its expenses more closely. Unrestricted net position decreased \$303,595 from 2011. This decrease was the result of the City utilizing its resources to fund City operations during the year.

Table 2 shows the changes in net position for the year ended December 31, 2011 and 2012.

**Table 2
Changes in Net Position**

	Governmental Activities		Increase (Decrease)
	2011	2012	
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,166,077	\$ 2,028,567	(\$137,510)
Operating Grants and Contributions	1,803,861	1,905,274	101,413
Capital Grants and Contributions	38,769	233,206	194,437
Total Program Revenues	<u>4,008,707</u>	<u>4,167,047</u>	<u>158,340</u>

(continued)

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Position
(Continued)**

	Governmental Activities		Increase (Decrease)
	2011	2012	
Revenues:			
General Revenues:			
Property Taxes	\$ 2,372,891	\$ 2,019,047	(\$353,844)
Income Taxes	4,055,793	4,299,547	243,754
Other Local Taxes	266,676	288,582	21,906
Revenue In Lieu of Taxes	50,652	51,039	387
Grants and Entitlements not Restricted to Specific Programs	946,817	552,590	(394,227)
Interest	13,429	10,080	(3,349)
Miscellaneous	62,050	129,695	67,645
Total General Revenues	7,768,308	7,350,580	(417,728)
Total Revenues	11,777,015	11,517,627	(259,388)
Program Expenses:			
General Government	2,133,452	1,990,843	(142,609)
Security of Persons and Property	6,216,410	6,200,648	(15,762)
Public Health Services	4,140	6,734	2,594
Leisure Time Activities	61,549	42,735	(18,814)
Community and Economic Development	525,722	557,967	32,245
Transportation	1,975,928	1,989,290	13,362
Interest and Fiscal Charges	94,544	75,963	(18,581)
Total Expenses	11,011,745	10,864,180	(147,565)
Change in Net Position	765,270	653,447	(111,823)
Net Position at Beginning of Year	19,354,313	20,119,583	765,270
Net Position at End of Year	\$20,119,583	\$20,773,030	\$653,447

Governmental Activities

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

Charges for services decreased when compared to the prior year. Operating grants and contributions increased when compared to the prior year due to an increase in grant monies related to various projects. Capital grants and contributions increased due to the OPWC grant received for a future land purchase.

The 1.5 percent income tax is the largest source of revenue for the City of Riverside. The increase in income tax revenues is due to the steady turnaround in the economy. Property taxes decreased mainly from the reduction in assessed values from triennial update.

Overall, expenses decreased \$147,565 during 2012, which is insignificant in comparison to the City's budget.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

Governmental program expenses as a percentage of total governmental expenses for 2012 are expressed as follows:

General Government	18.33%
Security of Persons and Property	57.07%
Public Health Services	0.06%
Leisure Time Activities	0.39%
Community and Economic Development	5.15%
Transportation	18.30%
Interest and Fiscal Charges	0.70%
	<u>100.00%</u>

The above table clearly indicates the City's major source of expenses, 57.07 percent, is related to the implementation of safety services. A distant second, 18.33 percent, are general government related expenditures for the City. All other forms of governmental operations represent 24.60 percent of expenses.

The City's Funds

Information about the City's funds starts on page 11 with the focus being on the major funds.

All governmental funds had total revenues of \$11,673,415 and total expenditures of \$11,449,648 at year-end.

Fund balance in the General Fund decreased \$302,524 for 2012. The decrease in fund balance was the direct result of property tax revenues decreasing due to the reduction in assessed values from the triennial update and a reduction in effective rates of some tax levies. Through closely monitoring budgets, the City has been able to maintain a fund balances of \$8,169,422.

The Fire Fund's balance increased \$104,021. This fund generates revenues mostly through a property tax levy and charges for ambulance runs. This revenue is not enough to cover expenditures. Therefore, the General Fund and the Police and Fire Income Tax Fund has subsidized this fund through transfers in the amount of \$1,272,193 for 2012.

The Street / Public Service Fund's balance increased \$156,592. The General Fund transferred money to subsidize this fund.

The Police Fund had a increase in fund balance of \$139,567. The General Fund and the Police and Fire Income Tax Fund transferred money to subsidize this fund.

The General Assessments Fund accounts for trash billing collections and special assessments to provide street lighting within the City. The fund balance increased \$3,393. The City sets rates to coincide with anticipated expenditures associated with trash collections and street lighting services. The current rates were sufficient to cover the costs related to trash collections.

The Police and Fire Income Tax Fund accounts for income tax money received to provide for general operations of the police and fire departments. The fund balance increased \$22,787, which is due to an increase in income tax revenues.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

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

General Fund final budgeted revenues increased slightly from original budgeted revenues by \$1,346. Actual revenues of \$4,162,885 were more than final budgeted amounts by \$624,366. This increase was the result of the City receiving income tax revenues not anticipated during the year.

The increase in appropriations from the original to the final budget was \$314,818 and was the result of the City increasing its budget for anticipated general government and community and economic development operating expenses during the year. Actual expenditures of \$1,683,958 were \$209,450 less than final budgeted expenditures of \$1,893,408. This decrease was primarily due to the City closely monitoring the expenditures relating to general government activities.

The City's ending unobligated cash balance for the General Fund was \$3,797,616 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the City had \$10,046,640 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$262,480 from the prior year. The increase can be attributed to current year additions exceeding current year depreciation and deletions.

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

Debt

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$1,720,847 and an OWDA Loan in the amount of \$20,959. The City's long-term obligations also included compensated absences for governmental activities.

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

Contacting the City's Finance Department

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,565,699
Cash and Cash Equivalents with Fiscal Agents	366,533
Cash and Cash Equivalents with Escrow Agents	184,696
Materials and Supplies Inventory	72,784
Accounts Receivable	536,293
Accrued Interest Receivable	11,429
Intergovernmental Receivable	1,210,424
Income Taxes Receivable	1,294,033
Property Taxes Receivable	2,099,238
Other Local Taxes Receivable	68,322
Revenue in Lieu of Taxes Receivable	146,893
Special Assessments Receivable	24,550
Capital Assets:	
Non-depreciable Capital Assets	2,943,411
Depreciable Capital Assets, Net	7,103,229
Total Assets	<u><u>25,627,534</u></u>
Liabilities:	
Accounts Payable	299,909
Accrued Wages and Benefits Payable	119,928
Intergovernmental Payable	529,950
Accrued Vacation Leave Payable	14,113
Accrued Interest Payable	7,454
Long-Term Liabilities:	
Due Within One Year	417,653
Due in More Than One Year	1,499,168
Total Liabilities	<u><u>2,888,175</u></u>
Deferred Inflows of Resources:	
Property Taxes	1,947,466
Revenue in Lieu of Taxes	18,863
Total Deferred Inflows of Resources	<u><u>1,966,329</u></u>
Net Position:	
Net Investment in Capital Assets	8,304,834
Restricted for:	
Capital Outlay	57,531
Security of Persons and Property	1,046,693
Transportation	1,583,668
Community and Economic Development	416,428
Other Purposes	176,899
Unrestricted	9,186,977
Total Net Position	<u><u>\$20,773,030</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street / Public Service Fund</u>	<u>Police Fund</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$7,777,437	\$249,140	\$346,210	\$301,146
Cash and Cash Equivalents with Fiscal Agent				
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents				
Receivables:				
Accounts	96,933	312,670	20,741	
Accrued Interest	11,429			
Intergovernmental	387,280	143,233	428,554	113,107
Income Taxes	865,248			
Property Taxes	354,913	498,313		1,246,012
Other Local Taxes	68,322			
Revenue in Lieu of Taxes				
Special Assessments			335	
Interfund	40,800			
Materials and Supplies Inventory	1,196	6,128	65,214	246
Total Assets	<u>9,603,558</u>	<u>1,209,484</u>	<u>861,054</u>	<u>1,660,511</u>
Liabilities:				
Accounts Payable	\$90,351	\$19,833	\$77,949	\$58,434
Accrued Wages and Benefits Payable	11,156	30,232	14,661	63,176
Intergovernmental Payable	21,952	141,044	26,304	256,291
Interfund Payable				
Total Liabilities	<u>123,459</u>	<u>191,109</u>	<u>118,914</u>	<u>377,901</u>
Deferred Inflows of Resources:				
Property Taxes	329,466	455,965		1,162,035
Revenue in Lieu of Taxes				
Unavailable Revenue	981,211	333,217	377,602	194,910
Total Deferred Inflows of Resources	<u>1,310,677</u>	<u>789,182</u>	<u>377,602</u>	<u>1,356,945</u>
Fund Balances:				
Non-spendable	1,196	6,128	65,214	246
Restricted		223,065	299,324	
Committed				
Assigned	167,664			
Unassigned (Deficit)	8,000,562			(74,581)
Total Fund Balances (Deficit)	<u>8,169,422</u>	<u>229,193</u>	<u>364,538</u>	<u>(74,335)</u>
Total Liabilities and Fund Balances	<u>\$9,603,558</u>	<u>\$1,209,484</u>	<u>\$861,054</u>	<u>\$1,660,511</u>

See Accompanying Notes to the Basic Financial Statements.

General Assessments Fund	Police and Fire Income Tax Fund	Non-major Governmental Funds	Total Governmental Funds
\$160,300	\$36,843	\$694,623	\$9,565,699
		366,533	366,533
		184,696	184,696
105,949			536,293
			11,429
		138,250	1,210,424
	428,785		1,294,033
			2,099,238
			68,322
		146,893	146,893
24,215			24,550
			40,800
			72,784
<u>290,464</u>	<u>465,628</u>	<u>1,530,995</u>	<u>15,621,694</u>
\$15,000		\$38,342	\$299,909
		703	119,928
80,845		3,514	529,950
		40,800	40,800
<u>95,845</u>		<u>83,359</u>	<u>990,587</u>
			1,947,466
		18,863	18,863
130,164	304,207	176,371	2,497,682
<u>130,164</u>	<u>304,207</u>	<u>195,234</u>	<u>4,464,011</u>
			72,784
64,455	161,421	1,196,640	1,944,905
		855	855
		59,211	226,875
		(4,304)	7,921,677
<u>64,455</u>	<u>161,421</u>	<u>1,252,402</u>	<u>10,167,096</u>
<u>\$290,464</u>	<u>\$465,628</u>	<u>\$1,530,995</u>	<u>\$15,621,694</u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Total Governmental Fund Balances	\$10,167,096
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Amounts reported for governmental activities in the Statement of Net Position 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	\$2,943,411	
Land Improvements	464,257	
Buildings and Building Improvements	2,396,526	
Machinery and Equipment	2,496,755	
Vehicles	3,239,383	
Infrastructure	4,964,224	
Accumulated Depreciation	<u>(6,457,916)</u>	
Total		10,046,640

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

Income Taxes	912,620	
Property Taxes	151,772	
Other Local Taxes	972	
Revenue in Lieu of Taxes	128,030	
Charges for Services	461,850	
Special Assessments	24,550	
Intergovernmental	804,009	
Accounts	5,406	
Interest	<u>8,473</u>	
Total		2,497,682

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest Payable	(7,454)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,720,847)	
OWDA Loan Payable	(20,959)	
Compensated Absences	(175,015)	
Accrued Vacation Leave Payable	<u>(14,113)</u>	
Total		<u>(1,930,934)</u>

Net Position of Governmental Activities	<u><u>\$20,773,030</u></u>
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See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street / Public Service Fund</u>	<u>Police Fund</u>
Revenues:				
Income Taxes	\$2,865,360			
Property Taxes	372,958	\$571,101		\$1,131,119
Other Local Taxes	354,376			
Revenue in Lieu of Taxes				
Special Assessments			\$768	
Intergovernmental	724,132	192,993	893,996	215,943
Charges for Services	25,650	720,193		18,970
Licenses and Permits	35,080			
Fines and Forfeitures				33,844
Interest	11,143		869	
Miscellaneous	7,120	8,661	3,022	48,987
Total Revenues	<u>4,395,819</u>	<u>1,492,948</u>	<u>898,655</u>	<u>1,448,863</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	1,142,812			
Security of Persons and Property		2,227,106		3,437,562
Public Health Services				
Leisure Time Activities	27,966			
Community and Economic Development	353,445			
Transportation			1,341,090	
Capital Outlay		238,465	4,016	170,581
Debt Service:				
Principal Retirement		173,957	8,399	
Interest and Fiscal Charges		21,592	808	
Total Expenditures	<u>1,524,223</u>	<u>2,661,120</u>	<u>1,354,313</u>	<u>3,608,143</u>
Excess of Revenues Over (Under) Expenditures	<u>2,871,596</u>	<u>(1,168,172)</u>	<u>(455,658)</u>	<u>(2,159,280)</u>
Other Financing Sources (Uses):				
Transfers In	56,175	1,272,193	612,250	2,298,847
Transfers Out	(3,230,295)			
Total Other Financing Sources (Uses)	<u>(3,174,120)</u>	<u>1,272,193</u>	<u>612,250</u>	<u>2,298,847</u>
Net Change in Fund Balance	(302,524)	104,021	156,592	139,567
Fund Balances (Deficit) at Beginning of Year	<u>8,471,946</u>	<u>125,172</u>	<u>207,946</u>	<u>(213,902)</u>
Fund Balances (Deficit) at End of Year	<u>\$8,169,422</u>	<u>\$229,193</u>	<u>\$364,538</u>	<u>(\$74,335)</u>

See Accompanying Notes to the Basic Financial Statements.

General Assessments Fund	Police and Fire Income Tax Fund	Non-major Governmental Funds	Total Governmental Funds
	\$1,404,919		\$4,270,279
			2,075,178
			354,376
		\$40,778	40,778
\$183,636			184,404
		717,832	2,744,896
1,030,015		400	1,795,228
			35,080
		2,666	36,510
		76	12,088
	6,808	50,000	124,598
<u>1,213,651</u>	<u>1,411,727</u>	<u>811,752</u>	<u>11,673,415</u>
970,140		146,866	2,259,818
240,118	42,900	38,861	5,986,547
		6,576	6,576
			27,966
		204,296	557,741
		304,148	1,645,238
		140,400	553,462
		151,718	334,074
		55,826	78,226
<u>1,210,258</u>	<u>42,900</u>	<u>1,048,691</u>	<u>11,449,648</u>
<u>3,393</u>	<u>1,368,827</u>	<u>(236,939)</u>	<u>223,767</u>
		393,045	4,632,510
	(1,346,040)	(56,175)	(4,632,510)
	(1,346,040)	336,870	
3,393	22,787	99,931	223,767
61,062	138,634	1,152,471	9,943,329
<u>\$64,455</u>	<u>\$161,421</u>	<u>\$1,252,402</u>	<u>\$10,167,096</u>

See Accountants' Compilation Report.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net Change in Fund Balances - Total Governmental Funds \$223,767

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

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

Capital Assets Additions	\$904,735	
Depreciation	<u>(617,105)</u>	
Capital asset additions in excess of Depreciation Expense		287,630

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

Loss on Disposal of Capital Assets		(25,150)
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Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are unavailable in the governmental funds. Unavailable revenues changed by these amounts this year:

Income Taxes	29,268	
Property Taxes	(56,131)	
Other Local Taxes	(65,794)	
Revenue in Lieu of Taxes	10,261	
Special Assessments	1,714	
Intergovernmental	(53,826)	
Charges for Services	(24,369)	
Miscellaneous	5,097	
Accrued Interest	<u>(2,008)</u>	
		(155,788)

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 Position. In the current year, these amounts consist of:

General Obligation Bonds	279,240	
OWDA Loan Payments	877	
Capital Lease Payments	<u>53,957</u>	
		334,074

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		2,263
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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	(16,092)	
Decrease in Accrued Vacation Leave Payable	<u>2,743</u>	
		<u>(13,349)</u>

Change in Net Position of Governmental Activities		<u><u>\$653,447</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	\$2,392,000	\$2,392,000	\$2,811,724	\$419,724
Property Taxes	389,207	390,553	372,958	(17,595)
Other Local Taxes	236,000	236,000	287,026	51,026
Intergovernmental	452,666	452,666	618,112	165,446
Charges for Services	6,000	6,000	22,299	16,299
Licenses and Permits	16,300	16,300	35,080	18,780
Interest	20,000	20,000	8,609	(11,391)
Miscellaneous	25,000	25,000	7,077	(17,923)
Total Revenues	<u>3,537,173</u>	<u>3,538,519</u>	<u>4,162,885</u>	<u>624,366</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	1,322,058	1,401,976	1,224,525	177,451
Leisure Time Activities	239,547	60,847	43,026	17,821
Community and Economic Development	16,985	430,585	416,407	14,178
Total Expenditures	<u>1,578,590</u>	<u>1,893,408</u>	<u>1,683,958</u>	<u>209,450</u>
Excess of Revenues Over Expenditures	<u>1,958,583</u>	<u>1,645,111</u>	<u>2,478,927</u>	<u>833,816</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			56,175	56,175
Advances In	320,000	320,000	408,000	88,000
Advances Out			(432,800)	(432,800)
Transfers Out	(6,458,720)	(6,482,720)	(3,230,295)	3,252,425
Total Other Financing Sources (Uses)	<u>(6,138,720)</u>	<u>(6,162,720)</u>	<u>(3,198,920)</u>	<u>2,963,800</u>
Net Change in Fund Balance	(4,180,137)	(4,517,609)	(719,993)	3,797,616
Fund Balance at Beginning of Year	8,160,039	8,160,039	8,160,039	
Prior Year Encumbrances	<u>146,820</u>	<u>146,820</u>	<u>146,820</u>	
Fund Balance at End of Year	<u>\$4,126,722</u>	<u>\$3,789,250</u>	<u>\$7,586,866</u>	<u>\$3,797,616</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	\$531,487	\$600,150	\$571,101	(\$29,049)
Intergovernmental			98,749	98,749
Charges for Services	670,424	683,240	693,480	10,240
Miscellaneous	1,837	1,792	4,482	2,690
Total Revenues	<u>1,203,748</u>	<u>1,285,182</u>	<u>1,367,812</u>	<u>82,630</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	2,543,648	2,492,586	2,262,036	230,550
Capital Outlay	211,872	329,934	294,894	35,040
Debt Service:				
Principal Retirement	120,000	120,000	120,000	
Interest and Fiscal Charges	19,920	19,920	19,920	
Total Expenditures	<u>2,895,440</u>	<u>2,962,440</u>	<u>2,696,850</u>	<u>265,590</u>
Excess of Revenues Over (Under) Expenditures	(1,691,692)	(1,677,258)	(1,329,038)	348,220
Other Financing Sources:				
Transfers In	1,366,509	1,353,738	1,272,193	(81,545)
Net Change in Fund Balance	(325,183)	(323,520)	(56,845)	266,675
Fund Balance at Beginning of Year	191,047	191,047	191,047	
Prior Year Encumbrances	66,520	66,520	66,520	
Fund Balance (Deficit) at End of Year	<u>(\$67,616)</u>	<u>(\$65,953)</u>	<u>\$200,722</u>	<u>\$266,675</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
STREET / PUBLIC SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$809,024	\$809,024	\$913,842	\$104,818
Charges for Services	4,995	4,995		(4,995)
Special Assessments			768	768
Investment Earnings			869	869
Miscellaneous	4,984	4,984	2,407	(2,577)
Total Revenues	<u>819,003</u>	<u>819,003</u>	<u>917,886</u>	<u>98,883</u>
Expenditures:				
Current Operations and Maintenance:				
Transportation	1,643,323	1,723,106	1,493,237	229,869
Capital Outlay	164,000	4,217	4,022	195
Debt Service:				
Principal Retirement	8,849	8,849	8,399	450
Interest and Fiscal Charges	808	808	808	
Total Expenditures	<u>1,816,980</u>	<u>1,736,980</u>	<u>1,506,466</u>	<u>230,514</u>
Excess of Revenues Over (Under) Expenditures	<u>(997,977)</u>	<u>(917,977)</u>	<u>(588,580)</u>	<u>329,397</u>
Other Financing Sources:				
Transfers In	<u>788,997</u>	<u>788,997</u>	<u>612,250</u>	<u>(176,747)</u>
Net Change in Fund Balance	(208,980)	(128,980)	23,670	152,650
Fund Balance at Beginning of Year	114,015	114,015	114,015	
Prior Year Encumbrances	<u>95,683</u>	<u>95,683</u>	<u>95,683</u>	
Fund Balance at End of Year	<u><u>\$718</u></u>	<u><u>\$80,718</u></u>	<u><u>\$233,368</u></u>	<u><u>\$152,650</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	\$1,390,005	\$1,287,657	\$1,131,119	(\$156,538)
Intergovernmental			215,943	215,943
Charges for Services			24,357	24,357
Fines and Forfeitures			34,426	34,426
Miscellaneous	5,000	5,000	48,987	43,987
Total Revenues	<u>1,395,005</u>	<u>1,292,657</u>	<u>1,454,832</u>	<u>162,175</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	3,650,598	3,609,598	3,451,905	157,693
Capital Outlay	130,000	204,000	198,365	5,635
Total Expenditures	<u>3,780,598</u>	<u>3,813,598</u>	<u>3,650,270</u>	<u>163,328</u>
Excess of Revenues Over (Under) Expenditures	(2,385,593)	(2,520,941)	(2,195,438)	325,503
Other Financing Sources:				
Transfers In	2,391,000	2,391,000	2,298,847	(92,153)
Net Change in Fund Balance	<u>5,407</u>	<u>(129,941)</u>	<u>103,409</u>	<u>233,350</u>
Fund Balance at Beginning of Year	72,965	72,965	72,965	
Prior Year Encumbrances	<u>24,798</u>	<u>24,798</u>	<u>24,798</u>	
Fund Balance (Deficit) at End of Year	<u><u>\$103,170</u></u>	<u><u>(\$32,178)</u></u>	<u><u>\$201,172</u></u>	<u><u>\$233,350</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL ASSESSMENTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Charges for Services	\$1,032,485	\$1,032,485	\$1,030,015	(\$2,470)
Special Assessments	179,682	179,682	183,636	3,954
Total Revenues	<u>1,212,167</u>	<u>1,212,167</u>	<u>1,213,651</u>	<u>1,484</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	970,022	970,022	968,383	1,639
Security of Persons and Property	240,118	240,118	240,118	
Total Expenditures	<u>1,210,140</u>	<u>1,210,140</u>	<u>1,208,501</u>	<u>1,639</u>
Excess of Revenues Over Expenditures	<u>2,027</u>	<u>2,027</u>	<u>5,150</u>	<u>3,123</u>
Other Financing Sources (Uses):				
Advances In	320,000	320,000	320,000	
Advances Out			(320,000)	(320,000)
Total Other Financing Sources (Uses)	<u>320,000</u>	<u>320,000</u>	<u></u>	<u>(320,000)</u>
Net Change in Fund Balance	322,027	322,027	5,150	(316,877)
Fund Balance at Beginning of Year	<u>140,150</u>	<u>140,150</u>	<u>140,150</u>	
Fund Balance at End of Year	<u><u>\$462,177</u></u>	<u><u>\$462,177</u></u>	<u><u>\$145,300</u></u>	<u><u>(\$316,877)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE AND FIRE INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	\$1,144,014	\$1,387,744	\$1,382,132	(\$5,612)
Miscellaneous	986	1,196	6,808	5,612
Total Revenues	<u>1,145,000</u>	<u>1,388,940</u>	<u>1,388,940</u>	
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	34,400	84,350	42,900	41,450
Excess of Revenues Over Expenditures	<u>1,110,600</u>	<u>1,304,590</u>	<u>1,346,040</u>	41,450
Other Financing Uses:				
Transfers Out	<u>(1,145,000)</u>	<u>(1,346,050)</u>	<u>(1,346,040)</u>	10
Net Change in Fund Balance	(34,400)	(41,460)		41,460
Fund Balance at Beginning of Year	<u>36,843</u>	<u>36,843</u>	<u>36,843</u>	
Fund Balance (Deficit) at End of Year	<u><u>\$2,443</u></u>	<u><u>(\$4,617)</u></u>	<u><u>\$36,843</u></u>	<u><u>\$41,460</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. The City has no component units.

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 Greater Miami Valley Emergency Medical Services Counsel, the Economic Development/Government Equity Program, the Riverside Historical Society, and the Public Entities Pool of Ohio and are presented in Notes 17, 18, and 19 to the Basic Financial Statements.

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 more significant of the City's accounting policies are described below.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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 Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The Statement of Net Position 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 Position 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.

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Police and Fire Income Tax Fund – This fund accounts for and reports the accumulation of restricted income taxes levied to provide for general operations of the police and fire departments. Once the income taxes are collected, the monies are transferred to the respective Police and Fire special revenue funds.

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

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for money held for individuals and organizations for fire insurance settlements which will be relinquished to the individuals and organizations upon restoration of damaged property. Although there was activity during the year, the fund balance of the agency fund was zero at December 31, 2012; therefore, no statements are presented.

C. Measurement Focus

1. Government-wide Financial Statements

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

D. Basis of Accounting

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

1. Revenues – Exchange and Non-Exchange Transactions

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payment in lieu of taxes and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes municipal income taxes, delinquent property taxes, other local taxes, intergovernmental grants, special assessments, interest and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

3. Expenses/Expenditures

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

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

E. Budgets and Budgetary Accounting

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on December 31, 2012.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2012 amounted to \$11,143, which includes \$2,892 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. Material and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Interfund Receivables and Payables

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

I. 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 Position but are not reported in the fund financial statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

J. 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 after an employee retires. The liability is an estimate based on the City's past experience of making termination payments.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance

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

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The non-spendable fund balance for the City includes the amount of material and supplies inventory.

Restricted

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

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by ordinance or by State statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

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

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

M. Internal Activity

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

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

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position 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 position is reported as restricted when there are limitations imposed on its 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. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. 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.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

At December 31, 2012, the Police Special Revenue Fund and the Ohio Public Works/Issue II Capital Projects Fund had deficit fund balances of \$74,335 and \$4,304, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Appropriations exceeded estimated resources by \$65,953, \$32,178 and \$4,617 for Fire, Police and Police and Fire Income Tax funds respectively.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).
6. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Change in Fund Balance					
	General Fund	Fire Fund	Street/ Public Service Fund	Police Fund	General Assessments Fund	Police and Fire Income Tax Fund
GAAP Basis	(\$302,524)	\$104,021	\$156,592	\$139,567	\$3,393	\$22,787
Revenue Accruals	(231,687)	(125,136)	19,231	5,969		(22,787)
Expenditure Accruals	31,646	12,688	(39,311)	57,847	16,757	
Encumbrances	(198,447)	(48,418)	(112,842)	(99,974)	(15,000)	
Change in Fair Value of Investments -2012	2,661					
Change in Fair Value of Investments -2011	(3,908)					
Unrecorded Cash - 2012	5,215					
Unrecorded Cash - 2011	1,851					
Advances	(24,800)					
Budget Basis	<u>(\$719,993)</u>	<u>(\$56,845)</u>	<u>\$ 23,670</u>	<u>\$103,409</u>	<u>\$5,150</u>	<u>\$0</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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;

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above;
4. The State Treasurer's investment pool (STAROhio).
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above; and
7. Certain bankers' acceptances 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.

As of December 31, 2012, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments
		Less than 1	1-5		
Federal Home Loan Mortgage Corporation Bonds	\$ 584,548	\$ 351,258	\$233,290	Aaa	19.22%
Federal National Mortgage Association Discount Notes	659,833	598,115	61,718	Aaa	21.70%
Federal Home Loan Bank Bonds	1,080,500	812,542	267,958	Aaa	35.53%
Federal Farm Credit Bank Bonds	35,153	35,153		Aaa	N/A
Money Market Mutual Fund	51,198	51,198		A-2	N/A
Negotiable Certificates of Deposit	506,225	200,585	305,640	N/A	16.65%
STAROhio	123,686	123,686		AAAm	N/A
Totals	\$3,041,143	\$2,172,537	\$868,606		

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

6. MUNICIPAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, police and fire pension benefits, and other governmental functions when needed, as determined by Council. In 2012, the proceeds were allocated to the General Fund and the Police and Fire Income Tax Special Revenue Fund.

7. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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.

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. 2012 public utility property taxes which became a lien at December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2012 was \$11.34 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

7. PROPERTY TAX (Continued)

Category	Assessed Value
Real Estate	\$268,775,000
Public Utility Personal	4,352,980
Totals	\$273,127,980

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

8. RECEIVABLES

Receivables at December 31, 2012 consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, income taxes, property taxes, other local taxes, revenue in lieu of taxes, special assessments, and interfund. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, income taxes, and special assessments. Property taxes, income taxes, and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Special assessments expected to be collected in more than one year for the City amounts to \$24,550. The City had \$24,550 in delinquent special assessments at December 31, 2012.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Homestead and Rollback	\$188,135
County Local Government	127,630
State Local Government	11,946
Gasoline Excise Tax/Cents per Gallon	255,535
Motor Vehicle License Tax	75,171
Cents per Gallon	132,593
Office of Criminal Justice Services / Victims of Crime Act Grant	23,694
Community Development Block Grant	43,250
Spin/Kemp Bus Stop Project	14,962
Airway/Linden Bus Stop Project	9,600
FEMA - Assistance to Firefighters Grant	94,244
Safe Route to School Grant	2,000
R.E. Fair Building Acquisition Grant	48,510
Permissive Tax	11,924
Estate Tax	164,088
Ohio Bureau of Workers Compensation	2,543
Montgomery County Court	2,249
City of Huber Heights	2,350
Total Intergovernmental Receivable	\$1,210,424

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. RECEIVABLES (Continued)

Revenue in Lieu of Taxes Receivable

The City granted real property tax exemptions to landowners for improvements made to their properties for a period of 10 years. The City requires the owners to make an annual payment to the City in lieu of taxes in the amount that would be payable on the increase in the value of the property if not for the exemption. The City then uses these monies to pay for public infrastructure improvements benefiting the owners. The City accrues a receivable for the amounts measurable at December 31, 2012 with a corresponding credit to deferred inflows of resources - revenue in lieu of taxes.

9. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012, was as follows:

	<u>Balance at 12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2012</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$2,769,404	\$174,007		\$ 2,943,411
Depreciable Capital Assets:				
Land Improvements	464,257			464,257
Buildings and Building Improvements	2,309,004	87,522		2,396,526
Machinery and Equipment	2,241,058	255,697		2,496,755
Vehicles	3,084,361	387,509	\$232,487	3,239,383
Infrastructure	4,964,224			4,964,224
Total Depreciable Capital Assets	<u>13,062,904</u>	<u>730,728</u>	<u>232,487</u>	<u>13,561,145</u>
Less Accumulated Depreciation:				
Land Improvements	(149,930)	(22,234)		(172,164)
Buildings and Building Improvements	(665,575)	(57,019)		(722,594)
Machinery and Equipment	(1,608,339)	(139,211)		(1,747,550)
Vehicles	(2,687,084)	(157,138)	(207,337)	(2,636,885)
Infrastructure	(937,220)	(241,503)		(1,178,723)
Total Accumulated Depreciation	<u>(6,048,148)</u>	<u>(617,105)</u>	<u>(207,337)</u>	<u>(6,457,916)</u>
Depreciable Capital Assets, Net	<u>7,014,756</u>	<u>113,623</u>	<u>25,150</u>	<u>7,103,229</u>
Governmental Activities Capital Assets, Net	<u>\$9,784,160</u>	<u>\$287,630</u>	<u>\$ 25,150</u>	<u>\$10,046,640</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$ 45,018
Security of Persons and Property	227,737
Public Health Services	158
Leisure Time Activities	14,769
Community and Economic Development	65
Transportation	329,358
Total Depreciation Expense	<u>\$617,105</u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$171,640 \$148,639, and \$138,686, respectively. For 2012, 74.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$220,106 and \$157,275 for the year ended December 31, 2012, \$246,712 and \$154,739 for the year ended December 31, 2011, and \$250,128 and \$152,894 for the year ended December 31, 2010. 78.98 percent has been contributed for police and 76.77 percent has been contributed for firefighters for 2012 with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

11. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$67,279 \$57,979, and \$77,947, respectively. For 2012, 74.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$116,527 and \$61,542 for the year ended December 31, 2012, \$130,612 and \$60,550 for the year ended December 31, 2011, and \$132,421 and \$59,828 for the year ended December 31, 2010. For 2012, 78.98 percent has been contributed for police and 76.77 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

B. Insurance Benefits

Full-time City employees are provided medical/surgical benefits from Anthem Blue Cross Blue Shield. The City pays 90 percent for non-union employees and 85% for union employees of the monthly premiums for the employees. The premium varies with each employee depending on the plan and coverage selected. Dental insurance is provided through Superior Dental Care and vision benefits are provided through Superior Vision. Life insurance is provided through Anthem Life Insurance. Department heads and administrative staff receive an amount equal to their annual salary in life insurance up to \$50,000; the City Manager receives two times his annual salary; police, fire, and street union employees receive \$30,000 in coverage.

C. Deferred Compensation

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

13. CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a lease agreement for the purchase of a vehicle. 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.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

13. CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

Capital assets acquired by lease were initially capitalized in the amount of \$125,316, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in 2012 totaled \$53,957 in the Fire Special Revenue Fund.

The assets acquired through capital lease as of December 31, 2012, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Ambulance	\$125,316	\$52,215	\$73,101

The City has paid all of their long-term leases in full, so no future long-term minimum lease payments are required under the capital leases as of December 31, 2012.

14. OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City's long-term obligations during 2012 consisted of the following:

	Balance at 12/31/2011	Issued	Retired	Balance at 12/31/2012	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2005 Various Purpose Bonds - Unvoted 4.15% \$2,154,168	\$861,672		\$215,419	\$ 646,253	\$215,418
2010 Various Purpose Bonds 3.6% \$1,200,000	1,138,415		63,821	1,074,594	66,140
Total General Obligations Bonds	2,000,087		279,240	1,720,847	281,558
Other Long-Term Obligations:					
2011 OWDA Loan 3.25% \$23,100	21,836		877	20,959	906
Compensated Absences	158,923	\$291,289	275,197	175,015	135,189
Capital Leases	53,957		53,957		
Total Other Long-Term Obligations	234,716	291,289	330,031	195,974	136,095
Total Governmental Activities	\$2,234,803	\$291,289	\$609,271	\$1,916,821	\$417,653

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

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

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

The City's overall legal debt margin was \$26,957,597, and the un-voted legal debt margin was \$13,301,198 at December 31, 2012.

Principal and interest requirements to retire the City's outstanding general obligation bonds at December 31, 2012, were:

Year	General Obligation Bonds		OWDA Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 281,558	\$ 64,915	\$ 906	\$ 674	\$ 282,464	\$ 65,589
2014	283,961	53,573	936	644	284,897	54,217
2015	286,450	42,143	966	614	287,416	42,757
2016	73,612	30,623	998	582	74,610	31,205
2017	76,286	27,949	1,031	549	77,317	28,498
2018-2022	718,980	66,815	5,681	2,217	724,661	69,032
2023-2027			6,678	1,222	6,678	1,222
2028-2030			3,763	185	3,763	185
Total	<u>\$1,720,847</u>	<u>\$286,018</u>	<u>\$20,959</u>	<u>\$6,687</u>	<u>\$1,741,806</u>	<u>\$292,705</u>

15. RISK MANAGEMENT

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

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

16. INTERFUND ACTIVITY

Interfund balances at December 31, 2012, consisted of \$40,800 paid from the General Fund to Non-major Governmental Funds as a result of deficit spending. All amounts are expected to be paid within one year.

Transfers made during the year ended December 31, 2012, were as follows:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

16. INTERFUND ACTIVITY (Continued)

Transfers From	Transfers To					Total
	General Fund	Fire Fund	Street / Public Service Fund	Police Fund	Non-major Governmental Funds	
General Fund		\$ 828,000	\$612,250	\$1,397,000	\$393,045	\$3,230,295
Police and Fire Income Tax Fund		444,193		901,847		1,346,040
Non-major Governmental Funds	\$56,175					56,175
Total	\$56,175	\$1,272,193	\$612,250	\$2,298,847	\$393,045	\$4,632,510

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from all other governmental funds to the General Fund were due to proceeds from the sale of assets for resale.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Riverside. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$10,831 for the operation of the Commission during 2012. Financial information may be obtained by writing to Brian Martin, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

B. Greater Miami Valley Emergency Medical Services Counsel

The Greater Miami Valley EMS Counsel is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Counsel 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 Counsel 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 Counsel are made from the Fire Special Revenue Fund. The City did not make any contributions toward the operation of the Counsel during 2012. Financial information may be obtained by writing to Sandy Lehrter, Executive Administrator, at 2 River Place, Suite 400, Dayton, Ohio 45405.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 12 years, ending December 31, 2012. 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 \$53,000 from ED/GE during 2012. Financial information may be obtained by writing to Erik Collins, Executive Administrator, 451 West Third Street, Dayton, Ohio 45422.

18. RELATED ORGANIZATION

The Riverside Historical Society (RHS) is a related organization that was created by Ordinance No. 96-0-79 on November 7, 1996, by the City of Riverside. RHS is governed by seven members which are appointed by City Council. RHS was established to provide a society which is interested and qualified to undertake such programs that will promote the historical and cultural heritage of the City, to protect existing historical landmarks in the City, and to promote the use of and protect historical sites within the City. The City is not able to impose its will on the RHS and no financial benefit and/or burden relationship exists. The City contributed \$3,850 for the operation of the RHS during 2012.

19. RISK SHARING POOL

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

PEP has no employees, rather it is administered through contracts with various professionals. Pursuant to a contract, the firm of American Risk Pooling Consultants administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a "Pool Operator," currently Wells Fargo Insurance Services. 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.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

19. RISK SHARING POOL (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 2012, the City of Riverside made premium payments of \$115,493 to PEP. There was no required surplus contribution in 2012.

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.

20. CONTINGENT LIABILITIES

A. Litigation

The City is party to legal proceedings. The City is of the opinion that the ultimate disposition of claims 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, 2012, to December 31, 2012, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

21. FUND BALANCES

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

Fund Balances	General Fund	Fire Fund	Street / Public Service Fund	Police Fund
Non-spendable:				
Materials & Supplies	\$ 1,196	\$6,128	\$ 65,214	\$ 246
Restricted for:				
Safety Forces		223,065		
Transportation Services			299,324	
Street Lighting				
Center of Flight Program				
Drug Law				
Public Health Services				
Community Development				
Capital Improvements				
Total Restricted	<u> </u>	<u>223,065</u>	<u>299,324</u>	<u> </u>

(Continued)

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

21. FUND BALANCES (Continued)

Fund Balances	General Fund	Fire Fund	Street / Public Service Fund	Police Fund
Committed to:				
Transportation Services				
Safety Forces				
Total Committed				
Assigned to:				
Purchases on Order	167,664			
Community Development				
Debt Service Payments				
Total Assigned	167,664			
Unassigned	8,000,562			(74,581)
Total Fund Balances	8,169,422	229,193	364,538	(74,335)
	General Assessments Fund	Police and Fire Income Tax Fund	Non-major Governmental Funds	Total
Non-spendable:				
Materials and Supplies				72,784
Restricted for:				
Safety Forces		161,421	8,643	393,129
Transportation Services			840,803	1,140,127
Street Lighting	64,455			64,455
Center of Flight Program			103,702	103,702
Drug Law			1,072	1,072
Public Health Services			193	193
Community Development			235,160	235,160
Capital Improvements			7,067	7,067
Total Restricted	64,455	161,421	1,196,640	1,944,905
Committed to:				
Transportation Services			229	229
Safety Forces			626	626
Total Committed			855	855
Assigned to:				
Purchases on Order				167,664
Community Development			59,205	59,205
Debt Service Payments			6	6
Total Assigned			59,211	226,875
Unassigned			(4,304)	7,921,677
Total Fund Balances	\$ 64,455	\$161,421	\$1,252,402	\$10,167,096

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

22. CHANGES IN ACCOUNTING PRINCIPLES

For 2012, the City has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City's financial statements.

23. CONTRACTUAL COMMITMENTS

The City of Riverside has entered into the following contracts as of December 31, 2012:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount Remaining</u>
NAI Real Estate Developers	Center of Flight Bridge Plan	\$20,596

24. SUBSEQUENT EVENT

On April 24, 2013 the City issued \$4,600,000 in Bond Anticipation Notes to be used for purchase of Wright Point Office Buildings and future capital upgrades.

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

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

To the Mayor and City Council

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2013 wherein we noted that the City implemented provisions of Governmental Accounting Standards Board statements number 63 and 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2013

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10(D) in part, states that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, **Auditor of State Bulletin 2002-005** outlines conditions an entity must follow when receiving Public Works Commission (OPWC) Clean Ohio Grants. All local governments must, for each project awarded, establish a capital projects fund to account for both the grant monies and local matching funds. Payments made to vendors from OPWC "on-behalf" of the local government shall be recorded in the capital project fund.

On August 16, 2012, OPWC made payment in the amount of \$184,696 to Chicago Title Company to place funds in an escrow for a future land purchase. The City did not establish a separate Capital Project fund and did not record the "on-behalf" payment in its accounting system. The amount was determined to be material to the non-major governmental funds and accompanying financial statements have been adjusted to present cash and cash equivalent with escrow agents and intergovernmental revenue.

The City should review grant agreements and guidance issued by the grantors to verify that all grant conditions are met. Additionally, the City should record all "on-behalf" payments to the accounting system upon notification of payment from the grantor. Failure to do so could result in material misstatements on the City's financial statements.

Official's Response:

The City has established the OPWC/COP Great Miami River Streambank Preservation Fund (Fund 404) and posted all transactions relating to the Eintracht Project to this fund. See Ordinances 13-O-538 and 13-O-539, dated 19 Sep 2013.

FINDING NUMBER 2012-002

SIGNIFICANT DEFICIENCY

The final Council approved appropriations + carryover encumbrances were not properly presented on the Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) for the following funds:

Fund	Final Appropriations + Carryover Encumbrances	Final Budgeted Expenditures per Statement	Variance
Fire Fund (201)	\$2,770,840	\$2,962,440	\$191,600
Street/ Public Service Fund (202)	1,666,979	1,736,980	70,001
Police and Fire Income Tax Fund (410)	1,388,950	1,430,400	41,450

The above noted variances were determined to be immaterial to the City's budgetary presentation and did not require an audit adjustment in the accompanying statements. However internal control deficiency is significant enough to warrant the attention of those charged with governance as design or operation of controls does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements.

**FINDING NUMBER 2012-002
(Continued)**

The City should implement procedures to report correct budgeted expenditures in the Budget versus Actual statement as these statements can be very useful to management during decision-making, can serve as a tool to analyze the District's operations and fiscal performance, and to accurately reflect fiscal activity for potential report users of the City's financial statements.

Official's Response:

We did not receive a response from Officials to this finding.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Monthly Reconciliations	No	Partially Corrected – Repeated in Management Letter
2011-02	Real Estate Transfer	Yes	

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CITY OF RIVERSIDE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 26, 2013**