



Dave Yost • Auditor of State

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – December 31, 2010	9
Statement of Activities – For the Year Ended December 31, 2010	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds – December 31, 2010	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2010	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Year Ended December 31, 2010	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2010	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund For the Year Ended December 31, 2010	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Fund For the Year Ended December 31, 2010	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street / Public Service Fund For the Year Ended December 31, 2010	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Fund For the Year Ended December 31, 2010	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – DAP Facility Fund For the Year Ended December 31, 2010	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Assessments Fund For the Year Ended December 31, 2010	24
Notes to the Basic Financial Statements	25

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	55



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of December 31, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Fire Fund, Street/Public Service Fund, Police Fund, DAP Facility Fund and General Assessments Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

November 1, 2011

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The discussion and analysis of the City of Riverside's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 was approved for various grants during the year through the Ohio Department of Transportation, Montgomery County, and others. The largest was from the Ohio Department of Transportation to resurface roads during 2010.
- Outstanding bond anticipation notes from 2009 had a portion paid down on the principal and the remaining balances were reissued as a long-term bond in 2010.
- Two road resurfacing projects were completed through a grant program with the Ohio Department of Transportation in 2010, which increased infrastructure.

Using This Annual Financial Report

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

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

Reporting the City as a Whole

One of the most important questions asked about the City is "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

The City's only fiduciary fund is an agency fund. All of the City's fiduciary activities are normally 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. 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 Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2010.

**Table 1
Net Assets**

	Governmental Activities		Increase (Decrease)
	2009	2010	
Assets:			
Current and Other Assets	\$13,963,134	\$14,579,827	\$ 616,693
Non-depreciable Capital Assets	2,767,764	2,776,614	8,850
Depreciable Capital Assets, Net	6,024,326	7,512,202	1,487,876
Total Assets	<u>22,755,224</u>	<u>24,868,643</u>	<u>2,113,419</u>

(Continued)

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

**Table 1
Net Assets
(Continued)**

	Governmental Activities		Increase (Decrease)
	2009	2010	
Liabilities:			
Current and Other Liabilities	4,277,968	2,986,956	(1,291,012)
Long-Term Liabilities:			
Due Within One Year	376,961	466,230	89,269
Due in More Than One Year	1,097,953	2,074,390	976,437
Total Liabilities	<u>5,752,882</u>	<u>5,527,576</u>	<u>(225,306)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	6,170,559	7,896,912	1,726,353
Restricted	2,248,237	3,275,604	1,027,367
Unrestricted	8,583,546	8,168,551	(414,995)
Total Net Assets	<u>\$17,002,342</u>	<u>\$19,341,067</u>	<u>\$2,338,725</u>

Assets increased \$2,113,419 compared to 2009, more specifically an increase in equity in pooled cash and cash equivalents and depreciable capital assets. Equity in pooled cash and cash equivalents increased mainly due to an increase in intergovernmental revenue relating to ODOT grants that the City has not spent in total. Revenue in lieu of taxes increased due to the continued improvements made within the TIF area.

Capital assets showed an increase of \$1,496,726 due to the completion of several road resurfacing projects during 2010.

Current and other liabilities decreased \$1,291,012 due to a decrease in notes payable as the City issued bonds to pay off the notes during 2010. Long-term liabilities increased \$1,065,706 due to the issuance of bonds to pay off the short-term notes.

Invested in capital assets, net of related debt increased \$1,726,353 mainly from the addition of infrastructure. Restricted net assets increased \$1,027,367 primarily due to the increase in grant revenues, of which a portion of the revenues were unspent as of year-end. Unrestricted net assets decreased \$414,995 from 2009. This decrease was mainly the result of an increase in transfers to support programs.

Table 2 shows the changes in net assets for the year ended December 31, 2009 and 2010.

**Table 2
Changes In Net Assets**

	Governmental Activities		Increase (Decrease)
	2009	2010	
Revenues:			
Program Revenues:			
Charges for Services	\$2,122,629	\$1,997,051	(\$125,578)
Operating Grants and Contributions	1,859,909	742,821	(1,117,088)
Capital Grants and Contributions	276,223	2,889,624	2,613,401
Total Program Revenues	<u>\$4,258,761</u>	<u>\$5,629,496</u>	<u>\$1,370,735</u>

(Continued)

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

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

	Governmental Activities		Increase (Decrease)
	2009	2010	
Revenues:			
General Revenues:			
Property Taxes	2,098,203	2,242,181	143,978
Income Taxes	4,329,652	4,112,928	(216,724)
Other Local Taxes	234,767	254,797	20,030
Revenue In Lieu of Taxes	117,250	87,785	(29,465)
Grants and Entitlements not Restricted to Specific Programs	631,600	721,433	89,833
Unrestricted Investment Earnings	45,088	27,945	(17,143)
Miscellaneous	162,568	192,812	30,244
Total General Revenues	7,619,128	7,639,881	20,753
Total Revenues	11,877,889	13,269,377	1,391,488
Program Expenses:			
General Government	2,483,534	2,392,029	(91,505)
Security of Persons and Property	6,153,341	6,409,554	256,213
Public Health Services	7,326	3,301	(4,025)
Leisure Time Activities	89,861	17,086	(72,775)
Community and Economic Development	493,978	254,906	(239,072)
Transportation	1,615,961	1,758,030	142,069
Interest and Fiscal Charges	119,015	95,746	(23,269)
Total Expenses	10,963,016	10,930,652	(32,364)
Change in Net Assets	914,873	2,338,725	1,423,852
Net Assets at Beginning of Year	16,087,469	17,002,342	914,873
Net Assets at End of Year	\$17,002,342	\$19,341,067	\$2,338,725

Governmental Activities

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

Operating grants and contributions decreased \$1,117,088 due primarily to a decrease in grants awarded from 2009 to 2010. Capital grants and contributions increased \$2,613,401 due to ODOT grants received relating to resurfacing projects.

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

Overall expenses decreased \$32,364 during 2010. The main decrease was in community and economic development due to fewer projects being done in 2010.

Governmental program expenses as a percentage of total governmental expenses for 2010 are expressed as follows:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

General Government	21.88%
Security of Persons and Property	58.64%
Public Health Services	0.03%
Leisure Time Activities	0.16%
Community and Economic Development	2.33%
Transportation	16.08%
Interest and Fiscal Charges	0.88%
	<u>100.00%</u>

The above table clearly indicates the City's major source of expenses, 58.64 percent, is related to the implementation of safety services. A distant second, 21.88 percent, are general government related expenditures for the City. All other forms of governmental operations represent 19.48 percent of expenses.

The City's Funds

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

All governmental funds had total revenues of \$13,106,038 and total expenditures of \$12,681,303 at year-end.

Fund balance in the General Fund decreased \$344,722 for 2010. The General Fund had total revenues of \$5,816,226, expenditures of \$1,601,215 and transfers out of \$4,559,733. The transfers out are the City's way of funding other operations of the City – mainly the police, fire and street departments. Through closely monitoring budgets, the City has been able to maintain a fund balance of \$7,301,121.

The Fire Fund's balance increased \$412,519. This fund generates revenues mostly through a property tax levy and charges for ambulance runs. This revenue is not enough to cover expenditures. Therefore, the General Fund has subsidized this fund through transfers in the amount of \$1,176,000 for 2010.

The Street / Public Service Fund's balance increased \$142,322. This fund also requires support from the General Fund. The General Fund transferred money to subsidize this fund in the amount of \$819,000.

The Police Fund had an increase in fund balance of \$180,000. The General Fund transferred money to subsidize this fund in the amount of \$2,259,000.

The DAP Facility Fund's balance increased \$1,322,869, the result of transfers from the General Fund and bond proceeds.

The General Assessments Fund accounts for trash billing collections and special assessments to provide street lighting within the City. The fund balance decreased \$69,859. The City sets rates to coincide with anticipated expenditures associated with trash collections and street lighting services. The current rates were not sufficient to cover the increased cost related to trash collections.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

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

General Fund original and final budgeted revenues totaled \$5,753,924. Actual revenues of \$5,911,534 were more than final budgeted amounts by \$157,610, which is a three percent variance.

The increase in appropriations from the original to the final budget was \$145,735. Actual expenditures of \$1,697,950 were \$165,214 less than final budgeted expenditures of \$1,863,164. 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 \$1,574,022 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City had \$10,288,816 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$1,496,726 from the prior year. The increase can be attributed to current year additions related to the road resurfacing project.

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

Debt

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$2,277,091. The City issued \$1,200,000 in general obligation bonds and retired two short-term notes during 2010. The City's long-term obligations also included capital leases and compensated absences for governmental activities.

See Notes 13, 14 and 15 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, Bob Gillian, at 1791 Harshman Road, Riverside, Ohio 45424.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	<u>Primary Government</u>	<u>Component Unit</u>	
	<u>Governmental</u>	<u>Riverside Community</u>	<u>Total Reporting</u>
	<u>Activities</u>	<u>Improvement Corporation</u>	<u>Entity</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$8,595,832		\$8,595,832
Accounts Receivable	439,352		439,352
Accrued Interest Receivable	21,223		21,223
Intergovernmental Receivable	1,409,189		1,409,189
Income Taxes Receivable	1,450,525		1,450,525
Property Taxes Receivable	2,227,189		2,227,189
Other Local Taxes Receivable	63,050		63,050
Revenue In Lieu of Taxes Receivable	243,241		243,241
Special Assessments Receivable	20,285		20,285
Due from Component Unit	109,941		109,941
Real Estate Held for Resale		\$109,941	109,941
Capital Assets:			
Non-depreciable Capital Assets	2,776,614		2,776,614
Depreciable Capital Assets, Net	7,512,202		7,512,202
Total Assets	24,868,643	109,941	24,978,584
Liabilities:			
Accounts Payable	163,387		163,387
Contracts Payable	4,875		4,875
Accrued Wages and Benefits Payable	100,081		100,081
Intergovernmental Payable	556,621		556,621
Deferred Revenue	2,128,471		2,128,471
Accrued Vacation Leave Payable	24,309		24,309
Accrued Interest Payable	9,212		9,212
Long-Term Liabilities:			
Due Within One Year	466,230		466,230
Due in More Than One Year	2,074,390	109,941	2,184,331
Total Liabilities	5,527,576	109,941	5,637,517
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,896,912		7,896,912
Restricted for:			
Capital Outlay	458,188		458,188
Transportation	1,111,712		1,111,712
Security of Persons and Property	731,840		731,840
Other Purposes	339,931		339,931
Budget Stabilization	633,933		633,933
Unrestricted	8,168,551		8,168,551
Total Net Assets	\$19,341,067	\$0	\$19,341,067

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street / Public Service Fund</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,842,123	\$441,723	\$190,401
Receivables:			
Accounts		266,022	68,697
Accrued Interest	21,223		
Intergovernmental	420,455	45,476	740,038
Income Taxes	1,450,525		
Property Taxes	390,391	504,613	
Other Local Taxes	63,050		
Revenue In Lieu of Taxes			
Special Assessments			1,510
Interfund	171,100		
Due from Component Unit			
Total Assets	<u><u>9,358,867</u></u>	<u><u>1,257,834</u></u>	<u><u>1,000,646</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	96,924	16,759	9,547
Contracts Payable			
Accrued Wages and Benefits Payable	10,203	26,642	13,244
Intergovernmental Payable	29,281	124,780	33,781
Accrued Vacation Leave Payable	13,097	11,212	
Interfund Payable			155,100
Deferred Revenue	1,908,241	756,835	583,828
Total Liabilities	<u><u>2,057,746</u></u>	<u><u>936,228</u></u>	<u><u>795,500</u></u>
Fund Balances:			
Reserved for Encumbrances	70,715	170,257	24,288
Unreserved:			
Designated:			
Budget Stabilization	633,933		
Undesignated, (Deficit) Reported in:			
General Fund	6,596,473		
Special Revenue Funds		151,349	180,858
Debt Service Fund			
Capital Projects Funds			
Total Fund Balances (Deficit)	<u><u>7,301,121</u></u>	<u><u>321,606</u></u>	<u><u>205,146</u></u>
Total Liabilities and Fund Balances	<u><u>\$9,358,867</u></u>	<u><u>\$1,257,834</u></u>	<u><u>\$1,000,646</u></u>

See Accompanying Notes to the Basic Financial Statements.

Police Fund	DAP Facility Fund	General Assessments Fund	Non-major Funds	Total Governmental Funds
\$255,622	\$25,765	\$149,287	\$690,911	\$8,595,832
1,000		103,633		439,352
				21,223
129,945			73,275	1,409,189
				1,450,525
1,332,185				2,227,189
				63,050
	243,241			243,241
		18,775		20,285
				171,100
			109,941	109,941
<u>1,718,752</u>	<u>269,006</u>	<u>271,695</u>	<u>874,127</u>	<u>14,750,927</u>
19,038		13,387	7,732	163,387
			4,875	4,875
49,480			512	100,081
212,411		154,660	1,708	556,621
				24,309
			16,000	171,100
<u>1,445,722</u>	<u>243,241</u>	<u>122,408</u>	<u>160,401</u>	<u>5,220,676</u>
<u>1,726,651</u>	<u>243,241</u>	<u>290,455</u>	<u>191,228</u>	<u>6,241,049</u>
53,118			103,254	421,632
				633,933
				6,596,473
(61,017)	25,765	(18,760)	301,770	579,965
			4	4
			277,871	277,871
<u>(7,899)</u>	<u>25,765</u>	<u>(18,760)</u>	<u>682,899</u>	<u>8,509,878</u>
<u>\$1,718,752</u>	<u>\$269,006</u>	<u>\$271,695</u>	<u>\$874,127</u>	<u>\$14,750,927</u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Total Governmental Fund Balances		\$8,509,878
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$2,776,614	
Land Improvements	464,257	
Buildings and Building Improvements	2,395,632	
Machinery and Equipment	2,128,647	
Vehicles	3,130,651	
Infrastructure	4,964,224	
Accumulated Depreciation	<u>(5,571,209)</u>	
Total		10,288,816
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Income Taxes	1,139,390	
Property Taxes	173,330	
Other Local Taxes	63,050	
Revenue in Lieu of Taxes	168,629	
Special Assessments	20,285	
Intergovernmental	1,014,841	
Accounts	385,412	
Loans	109,941	
Interest	<u>17,327</u>	
Total		3,092,205
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		(9,212)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(2,277,091)	
Compensated Absences	(153,591)	
Capital Leases	<u>(109,938)</u>	
Total		<u>(2,540,620)</u>
Net Assets of Governmental Activities		<u><u>\$19,341,067</u></u>

See Accompanying Notes to the Basic Financial Statements

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**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street / Public Service Fund</u>
Revenues:			
Income Taxes	\$4,222,589		
Property Taxes	471,919	\$573,387	
Other Local Taxes	250,120		
Special Assessments			\$3,627
Intergovernmental	762,565	152,852	2,514,737
Charges for Services	2,905	778,600	12,930
Licenses and Permits	43,623		
Fines and Forfeitures			
Interest	27,560		
Miscellaneous	34,945	20,619	30,401
Total Revenues	<u>5,816,226</u>	<u>1,525,458</u>	<u>2,561,695</u>
Expenditures:			
Current Operations and Maintenance:			
General Government	1,297,423		
Security of Persons and Property	40,500	2,124,577	
Public Health Services			
Leisure Time Activities	1,538		
Community and Economic Development	247,902		
Transportation			1,396,040
Capital Outlay	9,753	127,813	1,833,014
Debt Service:			
Principal Retirement	4,021	135,378	6,819
Interest and Fiscal Charges	78	26,487	2,500
Total Expenditures	<u>1,601,215</u>	<u>2,414,255</u>	<u>3,238,373</u>
Excess of Revenues Over (Under) Expenditures	<u>4,215,011</u>	<u>(888,797)</u>	<u>(676,678)</u>
Other Financing Sources (Uses):			
Proceeds of Bonds			
Inception of Capital Lease		125,316	
Transfers In		1,176,000	819,000
Transfers Out	(4,559,733)		
Total Other Financing Sources (Uses)	<u>(4,559,733)</u>	<u>1,301,316</u>	<u>819,000</u>
Net Change in Fund Balance	(344,722)	412,519	142,322
Fund Balances (Deficit) at Beginning of Year	<u>7,645,843</u>	<u>(90,913)</u>	<u>62,824</u>
Fund Balances (Deficit) at End of Year	<u>\$7,301,121</u>	<u>\$321,606</u>	<u>\$205,146</u>

See Accompanying Notes to the Basic Financial Statements.

Police Fund	DAP Facility Fund	General Assessments Fund	Non-major Funds	Total Governmental Funds
				\$4,222,589
\$1,193,936				2,239,242
				250,120
		\$177,078		180,705
321,287			\$386,056	4,137,497
26,922		976,293	1,300	1,798,950
				43,623
24,923			95	25,018
				27,560
94,769				180,734
<u>1,661,837</u>		<u>1,153,371</u>	<u>387,451</u>	<u>13,106,038</u>
		1,053,483		2,350,906
3,706,177		169,747	69,317	6,110,318
			3,143	3,143
				1,538
	\$1,874		4,993	254,769
			54,167	1,450,207
34,660			180,303	2,185,543
			88,600	234,818
	35,257		25,739	90,061
<u>3,740,837</u>	<u>37,131</u>	<u>1,223,230</u>	<u>426,262</u>	<u>12,681,303</u>
<u>(2,079,000)</u>	<u>(37,131)</u>	<u>(69,859)</u>	<u>(38,811)</u>	<u>424,735</u>
	1,200,000			1,200,000
				125,316
2,259,000	160,000		145,733	4,559,733
				(4,559,733)
<u>2,259,000</u>	<u>1,360,000</u>		<u>145,733</u>	<u>1,325,316</u>
180,000	1,322,869	(69,859)	106,922	1,750,051
<u>(187,899)</u>	<u>(1,297,104)</u>	<u>51,099</u>	<u>575,977</u>	<u>6,759,827</u>
<u>(\$7,899)</u>	<u>\$25,765</u>	<u>(\$18,760)</u>	<u>\$682,899</u>	<u>\$8,509,878</u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net Change in Fund Balances - Total Governmental Funds \$1,750,051

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	\$2,103,496	
Depreciation	(591,210)	
Excess of Capital Outlay Over Depreciation Expense	1,512,286	1,512,286

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

Loss on Disposal of Capital Assets		(15,560)
------------------------------------	--	----------

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(125,316)

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

Income Taxes	(109,661)	
Property Taxes	2,939	
Other Local Taxes	4,677	
Revenue In Lieu of Taxes	87,785	
Special Assessments	529	
Intergovernmental	216,381	
Charges for Services	(51,774)	
Miscellaneous	12,078	
Accrued Interest	385	163,339

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

Proceeds of General Obligation Bonds		(1,200,000)
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Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

General Obligation Bonds Payments	215,419	
Capital Lease Payments	19,399	234,818

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

Net Decrease in Accrued Interest		(5,685)
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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:

Decrease in Compensated Absences		24,792
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Change in Net Assets of Governmental Activities		\$2,338,725
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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 (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	\$4,310,123	\$4,310,123	\$4,279,371	(\$30,752)
Property Taxes	439,144	439,144	471,919	32,775
Other Local Taxes	231,436	231,436	250,120	18,684
Intergovernmental	635,268	635,268	807,058	171,790
Charges for Services	75	75	2,905	2,830
Licenses and Permits	51,423	51,423	43,623	(7,800)
Interest	60,556	60,556	21,593	(38,963)
Miscellaneous	25,899	25,899	34,945	9,046
Total Revenues	<u>5,753,924</u>	<u>5,753,924</u>	<u>5,911,534</u>	<u>157,610</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	1,391,284	1,481,519	1,344,663	136,856
Security of Persons and Property		40,500	40,500	
Community and Economic Development	326,145	326,145	301,977	24,168
Capital Outlay		15,000	10,810	4,190
Total Expenditures	<u>1,717,429</u>	<u>1,863,164</u>	<u>1,697,950</u>	<u>165,214</u>
Excess of Revenues Over Expenditures	<u>4,036,495</u>	<u>3,890,760</u>	<u>4,213,584</u>	<u>322,824</u>
Other Financing Sources (Uses):				
Advances In	330,840	330,840	421,232	90,392
Transfers Out	(5,926,494)	(5,720,539)	(4,559,733)	1,160,806
Advances Out		(475,100)	(475,100)	
Total Other Financing Sources (Uses)	<u>(5,595,654)</u>	<u>(5,864,799)</u>	<u>(4,613,601)</u>	<u>1,251,198</u>
Net Change in Fund Balance	(1,559,159)	(1,974,039)	(400,017)	1,574,022
Fund Balance at Beginning of Year	7,131,851	7,131,851	7,131,851	
Prior Year Encumbrances	41,949	41,949	41,949	
Fund Balance at End of Year	<u>\$5,614,641</u>	<u>\$5,199,761</u>	<u>\$6,773,783</u>	<u>\$1,574,022</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	\$640,550	\$640,550	\$573,387	(\$67,163)
Intergovernmental	1,571	1,571	152,852	151,281
Charges for Services	739,008	739,008	779,248	40,240
Miscellaneous	1,212	1,212	20,619	19,407
Total Revenues	<u>1,382,341</u>	<u>1,382,341</u>	<u>1,526,106</u>	<u>143,765</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	2,602,925	2,240,925	2,178,938	61,987
Capital Outlay		153,800	153,795	5
Debt Service:				
Principal Retirement	120,000	120,000	120,000	
Interest and Fiscal Charges	34,860	34,860	25,176	9,684
Total Expenditures	<u>2,757,785</u>	<u>2,549,585</u>	<u>2,477,909</u>	<u>71,676</u>
Excess of Revenues Under Expenditures	(1,375,444)	(1,167,244)	(951,803)	215,441
Other Financing Sources:				
Transfers In	1,355,858	1,350,835	1,176,000	(174,835)
Net Change in Fund Balance	(19,586)	183,591	224,197	40,606
Fund Balance at Beginning of Year	5,713	5,713	5,713	
Prior Year Encumbrances	<u>28,245</u>	<u>28,245</u>	<u>28,245</u>	
Fund Balance at End of Year	<u>\$14,372</u>	<u>\$217,549</u>	<u>\$258,155</u>	<u>\$40,606</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET / PUBLIC SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Special Assessments			\$3,627	\$3,627
Intergovernmental	\$957,026	\$957,026	2,358,695	1,401,669
Charges for Services	4,252	4,252	12,930	8,678
Miscellaneous	3,220	3,220	30,751	27,531
Total Revenues	<u>964,498</u>	<u>964,498</u>	<u>2,406,003</u>	<u>1,441,505</u>
Expenditures:				
Current Operations and Maintenance:				
Transportation	1,494,050	1,492,134	1,453,290	38,844
Capital Outlay	349,465	444,381	1,843,998	(1,399,617)
Debt Service:				
Principal Retirement	16,319	16,319	6,819	9,500
Interest and Fiscal Charges	5,000	5,000	2,500	2,500
Total Expenditures	<u>1,864,834</u>	<u>1,957,834</u>	<u>3,306,607</u>	<u>(1,348,773)</u>
Excess of Revenues Under Expenditures	<u>(900,336)</u>	<u>(993,336)</u>	<u>(900,604)</u>	<u>92,732</u>
Other Financing Sources:				
Advances - In			155,100	155,100
Proceeds of Loan	48,100	48,100		(48,100)
Transfers In	772,602	772,602	819,000	46,398
Total Other Financing Sources	<u>820,702</u>	<u>820,702</u>	<u>974,100</u>	<u>153,398</u>
Net Change in Fund Balance	(79,634)	(172,634)	73,496	246,130
Fund Balance at Beginning of Year	205	205	205	
Prior Year Encumbrances	<u>83,765</u>	<u>83,765</u>	<u>83,765</u>	
Fund Balance (Deficit) at End of Year	<u><u>\$4,336</u></u>	<u><u>(\$88,664)</u></u>	<u><u>\$157,466</u></u>	<u><u>\$246,130</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 (NON-GAAP BASIS) AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Property Taxes	\$1,277,823	\$1,277,823	\$1,193,936	(\$83,887)
Intergovernmental	9,391	9,391	305,662	296,271
Charges for Services	827	827	26,922	26,095
Fines and Forfeitures	31,537	31,537	25,627	(5,910)
Miscellaneous	44,992	44,992	97,390	52,398
Total Revenues	<u>1,364,570</u>	<u>1,364,570</u>	<u>1,649,537</u>	<u>284,967</u>
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	4,124,639	3,881,083	3,785,544	95,539
Capital Outlay	35,544	35,544	34,660	884
Total Expenditures	<u>4,160,183</u>	<u>3,916,627</u>	<u>3,820,204</u>	<u>96,423</u>
Excess of Revenues Under Expenditures	(2,795,613)	(2,552,057)	(2,170,667)	381,390
Other Financing Sources:				
Transfers In	<u>2,818,153</u>	<u>2,818,153</u>	<u>2,259,000</u>	<u>(559,153)</u>
Net Change in Fund Balance	22,540	266,096	88,333	(177,763)
Fund Balance at Beginning of Year	707	707	707	
Prior Year Encumbrances	<u>81,346</u>	<u>81,346</u>	<u>81,346</u>	
Fund Balance at End of Year	<u><u>\$104,593</u></u>	<u><u>\$348,149</u></u>	<u><u>\$170,386</u></u>	<u><u>(\$177,763)</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 (NON-GAAP BASIS) AND ACTUAL
DAP FACILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	Variance Positive (Negative)
Revenues:				
Revenue in Lieu of Taxes	\$36,405	\$36,405		(\$36,405)
Expenditures:				
Current Operations and Maintenance:				
Community and Economic Development	6,000	6,000	\$4,835	1,165
Debt Service:				
Principal Retirement	1,330,724	1,325,000	1,325,000	
Interest and Fiscal Charges	64,276	64,000	39,427	24,573
Total Expenditures	<u>1,401,000</u>	<u>1,395,000</u>	<u>1,369,262</u>	<u>25,738</u>
Excess of Revenues Under Expenditures	<u>(1,364,595)</u>	<u>(1,358,595)</u>	<u>(1,369,262)</u>	<u>(10,667)</u>
Other Financing Sources:				
Proceeds Of Bonds	1,200,000	1,200,000	1,200,000	
Transfers In	160,000	160,000	160,000	
Total Other Financing Sources	<u>1,360,000</u>	<u>1,360,000</u>	<u>1,360,000</u>	
Net Change in Fund Balance	(4,595)	1,405	(9,262)	(10,667)
Fund Balance at Beginning of Year	<u>35,027</u>	<u>35,027</u>	<u>35,027</u>	
Fund Balance at End of Year	<u><u>\$30,432</u></u>	<u><u>\$36,432</u></u>	<u><u>\$25,765</u></u>	<u><u>(\$10,667)</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 (NON-GAAP BASIS) AND ACTUAL
GENERAL ASSESSMENTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Special Assessments	\$178,000	\$178,000	\$177,078	(\$922)
Charges for Services	980,000	980,000	976,293	(3,707)
Total Revenues	<u>1,158,000</u>	<u>1,158,000</u>	<u>1,153,371</u>	<u>(4,629)</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	988,602	999,910	976,153	23,757
Security of Persons and Property	195,135	183,827	183,134	693
Total Expenditures	<u>1,183,737</u>	<u>1,183,737</u>	<u>1,159,287</u>	<u>24,450</u>
Excess of Revenues Under Expenditures	<u>(25,737)</u>	<u>(25,737)</u>	<u>(5,916)</u>	<u>19,821</u>
Other Financing Sources (Uses):				
Advances In	320,000	320,000	320,000	
Advances Out	<u>(320,000)</u>	<u>(320,000)</u>	<u>(320,000)</u>	
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(25,737)	(25,737)	(5,916)	19,821
Fund Balance at Beginning of Year	128,429	128,429	128,429	
Prior Year Encumbrances	<u>13,387</u>	<u>13,387</u>	<u>13,387</u>	
Fund Balance at End of Year	<u><u>\$116,079</u></u>	<u><u>\$116,079</u></u>	<u><u>\$135,900</u></u>	<u><u>\$19,821</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, 2010**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

A. Reporting Entity

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

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

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

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

Riverside Community Improvement Corporation

The Riverside Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC is governed by a five member Board of Trustees, three of which are appointed officials of the City and two are elected officials of the City. The CIC provides services to the City by means of having acquired and sold real property to increase the opportunities for employment and strengthen the economic development of the City of Riverside. Based upon the significant services and resources provided by the City to the Riverside Community Improvement Corporation, the CIC is presented as a component unit of the City. This is because the nature and significance of the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Riverside Community Improvement Corporation operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Riverside Community Improvement Corporation, 1791 Harshman Road, Riverside, Ohio, 45424.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

The City is associated with five organizations, three of which are defined as jointly governed organizations, one as a related organization and one as a risk sharing pool. These organizations are the Miami Valley Regional Planning Commission, the Miami Valley Fire/EMS Alliance, the Economic Development/Government Equity Program, the Riverside Historical Society, and the Public Entities Pool of Ohio and are presented in Notes 18, 19, and 20 to the Basic Financial Statements.

The information in Notes 2 through 21 relate to the primary government. Information related to the discretely presented component unit is presented in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for money held for individuals and organizations for fire insurance settlements which will be relinquished to the individuals and organizations upon restoration of damaged property. Although there was activity during the year, the fund balance of the agency fund was zero at December 31, 2010; therefore, no statements are presented.

C. Measurement Focus

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

D. Basis of Accounting

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues – Exchange and Non-Exchange Transactions

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

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

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

2. Deferred Revenues

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

Property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of December 31, 2010, but were levied to finance 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

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

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During the year, investments were limited to Federal Agency Securities, United States Treasury Notes, 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 share price which is the price the investment could be sold for on December 31, 2010.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2010 amounted to \$27,560, which includes \$4,042 assigned from other funds.

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Receivables and Payables

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance Reserves and Designation

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Reserves have been established for encumbrances. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the City's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The City has a designation for budget stabilization.

L. Internal Activity

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

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

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

M. Net Assets

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Net Assets reports \$3,275,604 of restricted net assets, \$633,933 of which is restricted by enabling legislation.

N. Estimates

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2010, the Police and General Assessments Special Revenue Funds, and the Ohio Public Works/Issue II Capital Projects Fund had deficit fund balances of \$7,899, \$18,760, and \$5,241, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Street / Public Service Special Revenue Fund had appropriations in excess of revenues and available fund balance of \$88,664. The Street / Public Service Special Revenue Fund had capital outlay expenditures in excess of appropriations of \$1,399,617. Expenditures for the Street/Public Service fund in total were within appropriations.

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 a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance					
	General Fund	Fire Fund	Street / Public Service Fund	Police Fund	DAP Facility Fund	General Assessments Fund
GAAP Basis	(\$344,722)	\$412,519	\$142,322	\$180,000	\$1,322,869	(\$69,859)
Revenue Accruals	86,413	(124,668)	(155,692)	(12,300)		
Expenditure Accruals	(17,141)	119,914	(35,299)	5,869	(7,131)	77,330
Encumbrances	(79,594)	(183,568)	(32,935)	(85,236)		(13,387)
Debt Service						
Principal Retirement					(1,325,000)	
Unrecorded Cash - 2010	(11,254)					
Unrecorded Cash - 2009	20,149					
Advances	(53,868)		155,100			
Budget Basis	<u>(\$400,017)</u>	<u>\$224,197</u>	<u>\$ 73,496</u>	<u>\$ 88,333</u>	<u>(\$ 9,262)</u>	<u>(\$ 5,916)</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, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City of Riverside will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$5,415,350 of the City's bank balance of \$5,665,350 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of December 31, 2010, the City had the following investments:

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments
		Less than 1	1-5		
Federal Home Loan Mortgage Corporation Notes	\$ 749,934	\$ 624,875	\$125,059	Aaa	25%
Federal National Mortgage Association Discount Notes	401,914	338,334	63,580	Aaa	13%
Federal Home Loan Bank Notes	888,477	822,958	65,519	Aaa	29%
Federal Farm Credit Bank Notes	208,328	208,328		Aaa	7%
US Treasury Notes	115,643	115,643		Aaa	4%
Money Market Mutual Fund	37,476	37,476		Aaa	1%
Negotiable Certificates of Deposit	506,708	99,379	407,329	N/A	17%
STAROhio	123,523	123,523		AAAm	4%
Totals	\$3,032,003	\$2,370,516	\$661,487		100%

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 are made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities will be disclosed in writing to City Council.

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

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

6. MUNICIPAL INCOME TAX

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

If a resident does not file their income tax within 10 days after the filing deadline, interest of one and one-half percent will be charged. After 10 days, in addition to the interest, a penalty of the greater of one and one-half percent or \$25 will also be charged. The City has the right to waive the interest and penalty.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

6. MUNICIPAL INCOME TAX (Continued)

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

7. PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Tangible personal property taxes from telephone companies will no longer be levied and collected after 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2010 was \$11.34 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$285,204,640
Public Utility Personal	4,073,850
General Business Personal	189,350
Totals	\$289,467,840

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

7. PROPERTY TAX (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Riverside. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

8. RECEIVABLES

Receivables at December 31, 2010, 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, interfund, and special assessments. 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 \$20,285. The City had \$20,285 in delinquent special assessments at December 31, 2010.

The City entered into a loan agreement with the Riverside Community Improvement Corporation (CIC), in which the CIC is repaying the City for the bond anticipation note issued by the City on behalf of the CIC for the purpose of acquiring real estate for economic development within the City. The loan agreement is for \$120,380. The balance relating to this agreement at December 31, 2010, is \$109,941, and is shown as "Due from Component Unit" on the financial statements. None of this amount is expected to be repaid within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Homestead and Rollback	\$ 185,563
County Local Government	267,848
State Local Government	23,008
Gasoline Excise Tax	267,815
Motor Vehicle License Tax	78,461
Cents per Gallon	131,359
Estate Tax	96,557
Permissive Tax	12,155
OCJS/VOCA Grant	25,796
OWDA Grants	297,727
Bulletproof Vest Grant	4,250
Department of Justice Evidence Coding System	11,375
Montgomery County Court	1,783
City of Huber Heights	5,492
Total Intergovernmental Receivable	<u><u>\$1,409,189</u></u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. RECEIVABLES (Continued)

A. Revenue In Lieu of Taxes Receivable

The City granted real property tax exemptions to landowners for improvements made to their properties for a period of 10 years. The City requires the owners to make an annual payment to the City in lieu of taxes in the amount that would be payable on the increase in the value of the property if not for the exemption. The City then uses these monies to pay for public infrastructure improvements benefiting the owners. The City accrues a receivable for the amounts measurable at December 31, 2010. The City is not able to measure the receivable for all future payments because the payments are based upon projected tax collections.

9. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2010, was as follows:

	<u>Balance At 12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2010</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$2,767,764	\$ 8,850		\$ 2,776,614
Depreciable Capital Assets:				
Land Improvements	428,784	35,473		464,257
Buildings and Building Improvements	2,332,996	62,636		2,395,632
Machinery and Equipment	2,052,520	76,127		2,128,647
Vehicles	2,994,301	214,128	(\$77,778)	3,130,651
Infrastructure	3,257,942	1,706,282		4,964,224
Total Depreciable Capital Assets	<u>11,066,543</u>	<u>2,094,646</u>	<u>(77,778)</u>	<u>13,083,411</u>
Less Accumulated Depreciation:				
Land Improvements	(106,349)	(21,348)		(127,697)
Buildings and Building Improvements	(560,076)	(56,729)		(616,805)
Machinery and Equipment	(1,294,049)	(167,073)		(1,461,122)
Vehicles	(2,584,872)	(147,214)	62,218	(2,669,868)
Infrastructure	(496,871)	(198,846)		(695,717)
Total Accumulated Depreciation	<u>(5,042,217)</u>	<u>(591,210)</u>	<u>62,218</u>	<u>(5,571,209)</u>
Depreciable Capital Assets, Net	<u>6,024,326</u>	<u>1,503,436</u>	<u>(15,560)</u>	<u>7,512,202</u>
Governmental Activities Capital Assets, Net	<u>\$8,792,090</u>	<u>\$1,512,286</u>	<u>(\$15,560)</u>	<u>\$10,288,816</u>

Depreciation expense was charged to governmental programs as follows:

General Government	\$ 40,830
Security of Persons and Property	231,373
Public Health Services	158
Leisure Time Activities	15,548
Community and Economic Development	65
Transportation	303,236
Total Depreciation Expense	<u>\$591,210</u>

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 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 14.0 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 10.0 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contribute 10.5 percent and 11.1 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 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 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 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$138,686, \$80,491, and \$97,437, respectively. For 2010, 93.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 \$250,128 and \$152,894 for the year ended December 31, 2010, \$231,948 and \$172,317 for the year ended December 31, 2009, and \$243,700 and \$160,559 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 72.53 percent has been contributed for police and 70.33 percent has been contributed for firefighters for 2010, with balances due included in intergovernmental payable.

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

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 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$77,947, \$80,491, and \$92,854, respectively. For 2010, 93.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, 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 \$132,421 and \$59,828 for the year ended December 31, 2010, \$122,796 and \$62,827 for the year ended December 31, 2009, and \$129,018 and \$62,827 for the year ended December 31, 2008. For 2010, 72.53 percent has been contributed for police and 70.33 percent has been contributed for firefighters, with balances due included in intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 1st and allows the unused balance to be accumulated at levels which depend upon years of service. City employees covered by the negotiated agreements are paid for earned, unused vacation leave at the time of termination of employment. However, non-union employees covered by the personnel policy of the City cannot carry over more than 40 hours of accrued vacation. These employees lose any remaining vacation balances existing at the end of the calendar year. On governmental fund financial statements, a liability is reported for non-union employees for vacation balances which do not carry over beyond the anniversary of their date of hire each year. These amounts are recorded in the account "Accrued Vacation Leave Payable" in the funds from which the employees will be paid.

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

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

B. Insurance Benefits

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

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.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. CAPITAL LEASES – LESSEE DISCLOSURE

During 2010 and in prior years, the City entered into a lease agreement for the purchase of a vehicle and equipment. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$155,782, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in 2010 totaled \$19,399 in the General Fund and the Fire Special Revenue Fund.

The assets acquired through capital lease as of December 31, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copier Equipment	\$ 30,466	\$30,466	
Ambulance	125,316	10,443	\$114,873
Total Leased Assets	\$155,782	\$40,909	\$114,873

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010:

Year Ending December 31,	Amount
2011	\$ 61,192
2012	55,630
Total	116,822
Less: Amount representing Interest	(6,884)
Present Value of Minimum Lease Payments	\$109,938

14. OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City's long-term obligations during 2010 consisted of the following:

	Balance at 12/31/2009	Issued	Retired	Balance at 12/31/2010	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2005 Various Purpose Bonds - Un-voted 4.15% \$2,154,168	\$1,292,510		\$215,419	\$1,077,091	\$215,419
2010 Various Purpose Bonds 3.6% \$1,200,000		\$1,200,000		1,200,000	61,585
Total General Obligations Bonds	1,292,510	1,200,000	215,419	2,277,091	277,004
Other Long-Term Obligations:					
Compensated Absences	178,383	306,245	331,037	153,591	133,245
Capital Leases	4,021	125,316	19,399	109,938	55,981
Total Other Long-Term Obligations	182,404	431,561	350,436	263,529	189,226
Total Governmental Activities	\$1,474,914	\$1,631,561	\$565,855	\$2,540,620	\$466,230

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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

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

The City's overall legal debt margin was \$28,117,036 and the unvoted legal debt margin was \$13,643,644 at December 31, 2010.

Principal and interest requirements to retire the City's outstanding general obligation bonds at December 31, 2010, were:

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 277,004	\$ 87,350
2012	279,240	76,173
2013	281,558	64,915
2014	283,961	53,573
2015	286,450	42,143
2016-2020	868,878	125,387
Total	<u>\$2,277,091</u>	<u>\$449,541</u>

15. SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2010, follows:

<u>Types/Issues</u>	<u>Balance at 12/31/2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/2010</u>
2009 Real Estate Acquisition Bond Anticipation Note - 3.24%	\$ 600,000		\$ 600,000	
2009 Center of Flight Improvement Bond Anticipation Note - 2.93%	725,000		725,000	
Total Governmental Activities	<u>\$1,325,000</u>	<u>\$0</u>	<u>\$1,325,000</u>	<u>\$0</u>

The Real Estate Acquisition Bond Anticipation Note was issued for the purpose of paying the cost of acquiring real estate for economic development in the City. During 2010, the City retired the \$600,000 bond anticipation note with the issuance of bonds.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. SHORT-TERM OBLIGATIONS (Continued)

The Center of Flight Improvement Bond Anticipation Note was issued for the purpose of acquiring and constructing public improvements. During 2010, the City retired the \$725,000 bond anticipation note with the issuance of bonds.

16. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 20) 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.

17. INTERFUND ACTIVITY

Interfund balances at December 31, 2010, consisted of the following amounts and result from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be paid within one year.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Street / Public Service Special Revenue Fund	\$155,100
Nonmajor Governmental Funds	16,000
Total	<u>\$171,100</u>

Transfers made during the year ended December 31, 2010, were as follows:

<u>Transfers From</u>	<u>Transfers To</u>					<u>Total</u>
	<u>Fire Fund</u>	<u>Street / Public Service Fund</u>	<u>Police Fund</u>	<u>DAP Facility Fund</u>	<u>Non-major Funds</u>	
General Fund	<u>\$1,176,000</u>	<u>\$819,000</u>	<u>\$2,259,000</u>	<u>\$160,000</u>	<u>\$145,733</u>	<u>\$4,559,733</u>

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Riverside. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$10,831 for the operation of the Commission during 2010. Financial information may be obtained by writing to Donald Spang, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

B. Miami Valley Fire/EMS Alliance

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full-time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full-time employees. Payments to the Alliance are made from the Fire Special Revenue Fund. The City contributed \$5,651 for the operation of the Alliance during 2010. Financial information may be obtained by writing to Howard Giles, Executive Director, at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

C. Economic Development/Government Equity Program

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

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for 11 years, ending December 31, 2011. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the General Fund. The City received \$11,872 in contributions from ED/GE during 2010. Financial information may be obtained by writing to Joseph Tuss, Administrator, 451 West Third Street, Dayton, Ohio 45402.

19. RELATED ORGANIZATION

The Riverside Historical Society (RHS) is a related organization that was created by Ordinance No. 96-0-79 on November 7, 1996, by the City of Riverside. RHS is governed by seven members which are appointed by City Council. RHS was established to provide a society which is interested and qualified to undertake such programs that will promote the historical and cultural heritage of the City, to protect existing historical landmarks in the City, and to promote the use of and protect historical sites within the City. The City is not able to impose its will on the RHS and no financial benefit and/or burden relationship exists. The City contributed \$3,195 for the operation of the RHS during 2010.

20. RISK SHARING POOL

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

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

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 2010, the City of Riverside made premium payments of \$111,379 to PEP. There was no required surplus contribution in 2010.

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, C/O American Risk Pool Consultants, 29200 Northwestern Highway, Suite 300, P.O. Box 5088, Southfield, MI 48084.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

21. 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, 2010, to December 31, 2010, 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.

22. RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION

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

A. Basis of Accounting

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

B. Long-Term Obligations

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

	<u>Balance at 12/31/2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/2010</u>	<u>Due Within One Year</u>
1999 Riverside Community Improvement Corporation Loan - 0.00% \$120,380	\$109,941	\$0	\$0	\$109,941	\$0

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



Dave Yost • Auditor of State

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

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

To the Mayor and City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of to be material weaknesses.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 1, 2011.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

November 1, 2011

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-01

MATERIAL WEAKNESS

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

The City's Finance Director did not reconcile the City's bank accounts in a timely manner. The December 31, 2010 bank reconciliation was completed in May 2011 and there were no reconciliations performed for any other months of fiscal year 2010.

It was also noted that the City did not perform reconciliations of EMS revenue received from Med 3000. It was determined that the City failed to record EMS bank deposits for the week of February 1st through the 6th, of FY 2010. The amount not posted to the Fire fund for charges for services was \$12,097.

A re-performance of the December 31, 2010 bank reconciliation determined that the City's bank reconciliation included a voided check of \$1,357 as an outstanding item and failed to include the un-posted EMS revenue bank deposits of \$12,097 as a reconciling item. Ultimately, the City's books were overstated from the bank by \$10,248. The cause of the variance is unknown.

The City should develop policies and implement procedures to provide that bank reconciliations are completed in a timely manner by the Finance Director and include having an independent review of the bank reconciliations for accuracy and completeness. The City should also reconcile, each month, the total amounts direct deposited into their bank account to what MED 3000 reported on their reports for the month. Failure to properly reconcile monthly increases the risk of undetected errors, irregularities or fraud occurring and reduces the reliability of the financial records.

Official's Response:

The City will implement procedures to help assure that reconciliations are accurate and completed in a timely manner.

FINDING NUMBER 2010-02

MATERIAL WEAKNESS

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 fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of fiscal year end.

The City's intergovernmental receivable calculation noted that the revenue for the following grants projects, completed in fiscal year 2010, was received in fiscal year 2010. However, it was determined that the grants were received in January 2011, which was within the receivable period.

- 2009 Well Field Oil Separator grant from Montgomery County, amount of \$17,500;
- 2009 Well Field Lorella Pond Drainage grant from the Ohio EPA, amount of \$114,500.

**FINDING NUMBER 2010-02
(Continued)**

It was also noted that the grant award for the 2009 Well Field Lorella Pond Drainage grant from Montgomery County was recorded at the incorrect amount. The intergovernmental receivable calculation recorded the grant amount as \$93,500 but was actually awarded for \$121,990 per review of the grant award letter. This grant project was completed in October 2010. None of the grant had been received by the City.

The above noted errors resulted in a net understatement of intergovernmental receivable, intergovernmental revenue and deferred revenue in the Street/Public Service Fund in the amounts of \$160,490, \$132,000 and \$28,490, respectively and a net understatement of intergovernmental receivable and intergovernmental revenue in the Governmental Activities of \$160,490 each. The misstatements were material and have been adjusted on the financial statements.

Procedures should be established and implemented to verify that the City properly allocates its receivables at year end to either revenue or deferred revenue based on whether the receivable was available to fund the liabilities of the current fiscal year. Failure to do so could result in material misstatements on the City's financial statements.

Official's Response:

The City will implement procedures to help assure that the conversion of the financial statements from the cash basis to the modified accrual basis results in an accurate presentation of the financial position of the City.

**CITY OF RIVERSIDE
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41(D)(1) prior certification of funds	No	Partially corrected. Re-issued in separate letter to management.
2009-002	Ohio Rev. Code Section 5705.36A(2) and (4) Appropriations exceeding actual resources	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
DECEMBER 13, 2011**