CITY OF RIVERSIDE
MONTGOMERY COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2016

THOMAS GARRETT, FINANCE DIRECTOR

Members of Council and Mayor
City of Riverside
5200 Springfield Drive, Suite 100
Riverside, Ohio 45431-1265

We have reviewed the *Independent Auditor's Report* of the City of Riverside, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

October 13, 2017

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CITY OF RIVERSIDE
MONTGOMERY COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
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Independent Auditor's Report

City of Riverside
Montgomery County
5200 Springfield Street, Suite 100
Riverside, Ohio 45431

To the Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Riverside's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General, Fire, Street/Public Service, Police and Police and Fire Income Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the City of Riverside's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Riverside's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 26, 2017

The discussion and analysis of the City of Riverside's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 no longer administers trash service, which caused a decrease in program revenues for charges for services, as well as a decrease in expenditures related to the service.

- The City entered into a new TIF loan for the Brantwood Division II in the amount of $748,847.

- The City closely monitored budgets to keep expenses at a minimum.

Using This Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other 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 2016?" The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows and liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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, and the Police and Fire Income Tax Fund.

Governmental Funds

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

Fiduciary Funds

The City's only fiduciary fund is an agency fund. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The City as a Whole

As stated previously, the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015.

Table 1
Net Position

	Governmental Activities		
	2016	2015	Increase (Decrease)
Assets:			
Current and Other Assets	$15,687,410	$17,029,305	($1,341,895)
Nondepreciable Capital Assets	3,202,408	3,132,419	69,989
Depreciable Capital Assets, Net	16,641,122	15,616,884	1,024,238
Total Assets	35,530,940	35,778,608	(247,668)
Deferred Outflows of Resources:			
Pension	3,041,598	1,172,688	1,868,910
Liabilities:			
Current and Other Liabilities	935,836	1,262,077	(326,241)
Long-Term Liabilities:			
Net Pension Liability	11,306,997	8,702,208	2,604,789
Other Amounts	10,675,828	10,300,972	374,856
Total Liabilities	22,918,661	20,265,257	2,653,404
Deferred Inflows of Resources:			
Property Tax	1,814,621	1,807,516	7,105
Revenue in Lieu of Taxes	131,942	193,960	(62,018)
Pension	61,011	21,627	39,384
Total Deferred Inflows of Resources	$2,007,574	$2,023,103	($15,529)

(continued)

Table 1
Net Position
(Continued)

	Governmental Activities		
	2016	2015	Increase (Decrease)
Net Position:			
Net Investment in Capital Assets	$10,860,136	$11,404,440	($544,304)
Restricted	5,631,918	3,575,391	2,056,527
Unrestricted (Deficit)	(2,845,751)	(316,895)	(2,528,856)
Total Net Position	$13,646,303	$14,662,936	($1,016,633)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total assets decreased $247,668 mainly due to unspent debt proceeds from the prior year being spent this year.

Long-term liabilities increased $2,979,645 mainly due to the increase in net pension liability. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan and OP&F's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Unrestricted net position decreased $2,528,856 mainly due to the increase in the net pension liability.

Restricted net position increased $2,056,527 due to a decrease in expenditures from no longer maintaining trash services.

Table 2 shows the changes in net position for the year ended December 31, 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		
	2016	2015	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	$2,084,470	$3,338,468	($1,253,998)
Operating Grants and Contributions	1,827,336	1,636,043	191,293
Capital Grants and Contributions	194,750	0	194,750
Total Program Revenues	4,106,556	4,974,511	(867,955)
General Revenues:			
Income Taxes	5,868,831	4,662,763	1,206,068
Property Taxes	1,920,316	1,904,210	16,106
Other Local Taxes	304,296	290,326	13,970
Revenue In Lieu of Taxes	149,417	28,802	120,615
Grants and Entitlements not Restricted to Specific Programs	347,699	376,416	(28,717)
Unrestricted Contributions	902	0	902
Interest	30,380	9,798	20,582
Miscellaneous	130,794	85,452	45,342
Total General Revenues	8,752,635	7,357,767	1,394,868
Total Revenues	12,859,191	12,332,278	526,913
Program Expenses:			
General Government	2,587,718	4,014,336	(1,426,618)
Security of Persons and Property	7,557,706	6,865,254	692,452
Public Health Services	3,308	6,936	(3,628)
Leisure Time Activities	79,782	62,861	16,921
Community and Economic Development	496,431	266,375	230,056
Transportation	2,955,804	2,916,508	39,296
Interest and Fiscal Charges	195,075	126,797	68,278
Total Expenses	13,875,824	14,259,067	(383,243)
Change in Net Position	(1,016,633)	(1,926,789)	910,156
Net Position at Beginning of Year	14,662,936	16,589,725	(1,926,789)
Net Position at End of Year	$13,646,303	$14,662,936	($1,016,633)

Governmental Activities

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

Charges for services decreased $1,253,998 when compared to the prior year, due to the City no longer billing for trash service. Capital Grants and Contributions increased by $194,750 due to a grant received during 2016 from the Ohio Department of Natural Resources for the Great Miami canoe/kayak launch project.

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

Overall, expenses decreased during 2016, which was mainly due to decreases in general government expense. General government expense decreased due to no longer administering trash service.

Governmental program expenses as a percentage of total governmental expenses for 2016 are expressed as follows:

General Government	18.65%
Security of Persons and Property	54.47%
Public Health Services	0.02%
Leisure Time Activities	0.57%
Community and Economic Development	3.58%
Transportation	21.30%
Interest and Fiscal Charges	1.41%
	100.00%

The previous table clearly indicates the City's major source of expenses, 54.47 percent, is related to the implementation of safety services. A distant second, 21.30 percent, are transportation related expenditures for the City. All other forms of governmental operations represent 24.23 percent of expenses.

The City's Funds

Information about the City's funds starts on page 14 with the focus being on the major funds.

All governmental funds had total revenues of $12,411,528 and total expenditures of $20,057,933 at year-end.

Fund balance in the General Fund decreased $490,148 for 2016 due to expenditures exceeding revenues.

The Fire Fund's balance decreased $1,130,759 due to expenditures exceeding revenues, which is related to the purchase of two new fire trucks during 2016. This fund generates revenues mostly through a property tax levy and charges for ambulance runs. This revenue is not enough to cover expenditures. Therefore, the General Fund and the Police and Fire Income Tax Fund subsidized this fund through transfers in the amount of $1,046,348 for 2016.

The Street / Public Service Fund's balance increased $106,995. The General Fund transferred $1,329,500 to subsidize this fund.

The Police Fund's balance decreased $213,325. The General Fund and the Police and Fire Income Tax Fund transferred a total of $2,233,022 to subsidize this fund.

The Police and Fire Income Tax Fund accounts for income tax money received to support police and fire operations. The fund balance increased $13,667.

General Fund Budgeting Highlights

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

General Fund final budgeted revenues decreased from original budgeted revenues by $65,927 mostly due to a grant that was originally budgeted, but the project was not done, and was removed from the final budget. Actual revenues of $6,195,830 were more than final budgeted amounts by $576,872. This increase was the result of an increase in income tax received during the year.

The decrease in appropriations from the original to the final budget was $3,383,773 due to changes in department expenditures. Actual expenditures of $8,832,856 were $341,064 less than final budgeted expenditures of $9,173,920. This decrease was primarily due to the City closely monitoring expenditures related to general government activities.

The City's ending unobligated cash balance for the General Fund was $967,955 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the City had $19,843,530 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of $1,094,227 from the prior year. The increase can be attributed to current year additions exceeding current year depreciation and deletions.

See Note 11 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 $795,267, an OWDA Loan in the amount of $17,153, TIF Loans in the amount of $2,084,214, a Revenue Bond Anticipation Note in the amount of $5,400,000, OPWC loans in the amount of $429,398, and Capital Leases in the amount of $1,391,270. The City's long-term obligations also included a premium on the revenue bond anticipation note and compensated absences for governmental activities.

The City's overall legal debt margin was $21,117,094, and the unvoted legal debt margin was $8,853,764 at December 31, 2016.

See Note 16 of the Notes to the Basic Financial Statements for more detailed information on the City's debt.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Finance Director, Tom Garrett, at 5200 Springfield Street, Suite 100, Riverside, Ohio 45431.

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City of Riverside
Statement of Net Position
December 31, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$9,477,735
Cash and Cash Equivalents with Fiscal Agents	173,669
Materials and Supplies Inventory	74,509
Accounts Receivable	758,988
Accrued Interest Receivable	10,326
Intergovernmental Receivable	861,170
Income Taxes Receivable	2,133,602
Property Taxes Receivable	1,975,307
Other Local Taxes Receivable	62,434
Revenue in Lieu of Taxes Receivable	131,942
Special Assessments Receivable	27,728
Capital Assets:	
Nondepreciable Capital Assets	3,202,408
Depreciable Capital Assets, Net	16,641,122
Total Assets	35,530,940
Deferred Outflows of Resources:	
Pension	3,041,598
Liabilities:	
Accounts Payable	344,602
Contracts Payable	9,749
Accrued Wages Payable	225,038
Intergovernmental Payable	166,677
Accrued Vacation Leave Payable	116,278
Accrued Interest Payable	73,492
Long-Term Liabilities:	
Due Within One Year	452,330
Due in More Than One Year:	
Net Pension Liability (See Note 12)	11,306,997
Other Amounts	10,223,498
Total Liabilities	22,918,661
Deferred Inflows of Resources:	
Property Taxes	1,814,621
Revenue in Lieu of Taxes	131,942
Pension	61,011
Total Deferred Inflows of Resources	2,007,574
Net Position:	
Net Investment in Capital Assets	10,860,136
Restricted for:	
Debt Service	1,559,369
Capital Outlay	126,252
Security of Persons and Property	1,704,392
Transportation	1,948,908
Community and Economic Development	283,821
Other Purposes	9,176
Unrestricted (Deficit)	(2,845,751)
Total Net Position	$13,646,303

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Activities
For the Year Ended December 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental Activities:					
General Government	$2,587,718	$1,039,838	$0	$0	($1,547,880)
Security of Persons and Property	7,557,706	1,038,907	473,524	0	(6,045,275)
Public Health Services	3,308	600	0	0	(2,708)
Leisure Time Activities	79,782	0	0	0	(79,782)
Community and Economic Development	496,431	5,125	95,069	194,750	(201,487)
Transportation	2,955,804	0	1,258,743	0	(1,697,061)
Interest and Fiscal Charges	195,075	0	0	0	(195,075)
Total Governmental Activities	$13,875,824	$2,084,470	$1,827,336	$194,750	(9,769,268)

General Revenues:	
Income Taxes Levied for:	
General Purposes	4,216,466
Public Safety	1,652,365
Property Taxes Levied for:	
General Purposes	311,586
Public Safety	1,608,730
Other Local Taxes	304,296
Revenue in Lieu of Taxes	149,417
Grants and Entitlements not Restricted to Specific Programs	347,699
Unrestricted Contributions	902
Interest	30,380
Miscellaneous	130,794
Total General Revenues	8,752,635
Change in Net Position	(1,016,633)
Net Position at Beginning of Year	14,662,936
Net Position at End of Year	$13,646,303

See Accompanying Notes to the Basic Financial Statements

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City of Riverside
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Fire Fund	Street / Public Service Fund
Assets:			
Equity in Pooled Cash and Cash Equivalents	$5,152,725	$248,030	$636,294
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Receivables:			
Accounts	196,671	440,807	12,352
Accrued Interest	10,326	0	0
Intergovernmental	161,494	48,182	470,623
Income Taxes	1,440,336	0	0
Property Taxes	320,314	507,879	0
Other Local Taxes	62,434	0	0
Revenue in Lieu of Taxes	0	0	0
Special Assessments	0	0	0
Interfund	10,000	0	0
Materials and Supplies Inventory	295	3,580	70,432
Total Assets	$7,354,595	$1,248,478	$1,189,701
Liabilities:			
Accounts Payable	$161,801	$12,302	$80,720
Contracts Payable	0	0	9,749
Accrued Wages Payable	26,090	54,683	26,951
Intergovernmental Payable	19,983	45,866	15,951
Interfund Payable	0	0	0
Total Liabilities	207,874	112,851	133,371
Deferred Inflows of Resources:			
Property Taxes	294,062	460,078	0
Revenue in Lieu of Taxes	0	0	0
Unavailable Revenue	1,578,182	484,588	402,593
Total Deferred Inflows of Resources	1,872,244	944,666	402,593
Fund Balances:			
Nonspendable	295	3,580	70,432
Restricted	0	187,381	583,305
Committed	0	0	0
Assigned	2,788,685	0	0
Unassigned (Deficit)	2,485,497	0	0
Total Fund Balances	5,274,477	190,961	653,737
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$7,354,595	$1,248,478	$1,189,701

See Accompanying Notes to the Basic Financial Statements

Police Fund	Police and Fire Income Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
$268,663	$36,843	$3,135,180	$9,477,735
0	0	173,669	173,669
204	0	108,954	758,988
0	0	0	10,326
107,389	0	73,482	861,170
0	693,266	0	2,133,602
1,147,114	0	0	1,975,307
0	0	0	62,434
0	0	131,942	131,942
0	0	27,728	27,728
0	0	0	10,000
202	0	0	74,509
$1,523,572	$730,109	$3,650,955	$15,697,410
$25,569	$25,631	$38,579	$344,602
0	0	0	9,749
115,834	0	1,480	225,038
84,079	0	798	166,677
0	0	10,000	10,000
225,482	25,631	50,857	756,066
1,060,481	0	0	1,814,621
0	0	131,942	131,942
190,104	583,430	188,029	3,426,926
1,250,585	583,430	319,971	5,373,489
202	0	0	74,509
47,303	121,048	1,668,229	2,607,266
0	0	229	229
0	0	1,622,095	4,410,780
0	0	(10,426)	2,475,071
47,505	121,048	3,280,127	9,567,855
$1,523,572	$730,109	$3,650,955	$15,697,410

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City of Riverside
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances		$9,567,855
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	3,157,996	
Construction in Progress	44,412	
Land Improvements	823,403	
Buildings and Building Improvements	5,287,098	
Machinery and Equipment	4,221,805	
Vehicles	4,706,125	
Infrastructure	10,921,126	
Accumulated Depreciation	(9,318,435)	
Total		19,843,530
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Income Taxes and Other Local Taxes	1,794,758	
Delinquent Property Taxes	160,686	
Special Assessments	27,728	
Intergovernmental	743,608	
Accounts	692,485	
Interest	7,661	
Total		3,426,926
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	3,041,598	
Deferred Inflows - Pension	(61,011)	
Net Pension Liability	(11,306,997)	
Total		(8,326,410)
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		(73,492)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Vacation Leave Payable	(116,278)	
General Obligation Bonds	(795,267)	
OWDA Loan Payable	(17,153)	
Brantwood Division TIF Loans	(2,084,214)	
OPWC Loans	(429,398)	
Bond Anticipation Notes	(5,400,000)	
Premium on Bond Anticipation Note	(7,092)	
Capital Lease Payable	(1,391,270)	
Compensated Absences	(551,434)	
Total		(10,792,106)
Net Position of Governmental Activities		$13,646,303

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Fire Fund	Street / Public Service Fund	Police Fund
Revenues:				
Income Taxes	$4,137,832	$0	$0	$0
Property Taxes	309,106	574,090	0	1,020,257
Other Local Taxes	259,827	0	0	0
Revenue in Lieu of Taxes	0	0	0	0
Special Assessments	0	0	0	0
Intergovernmental	444,603	227,915	892,001	198,792
Charges for Services	24,083	666,854	0	29,158
Licenses and Permits	12,702	0	0	0
Fines and Forfeitures	0	0	0	14,262
Interest	28,024	0	0	0
Rent	906,424	0	0	0
Contributions and Donations	902	750	0	9,650
Miscellaneous	70,799	11,169	44,163	4,663
Total Revenues	6,194,302	1,480,778	936,164	1,276,782
Expenditures:				
Current Operations and Maintenance:				
General Government	2,092,428	0	0	0
Security of Persons and Property	0	2,813,571	0	3,543,339
Public Health Services	0	0	0	0
Leisure Time Activities	53,663	0	0	0
Community and Economic Development	425,441	0	0	0
Transportation	0	0	1,888,249	0
Capital Outlay	392,313	732,361	198,317	228,958
Debt Service:				
Principal Retirement	5,467,185	87,844	62,567	18,377
Interest and Fiscal Charges	89,539	24,109	9,536	0
Total Expenditures	8,520,569	3,657,885	2,158,669	3,790,674
Excess of Revenues Over (Under) Expenditures	(2,326,267)	(2,177,107)	(1,222,505)	(2,513,892)
Other Financing Sources (Uses):				
Issuance of Bond Anticipation Note	5,400,000	0	0	0
Proceeds of Loans	0	0	0	0
Premium on Debt Issued	21,276	0	0	0
Inception of Capital Lease	0	0	0	67,545
Transfers In	0	1,046,348	1,329,500	2,233,022
Transfers Out	(3,585,157)	0	0	0
Total Other Financing Sources (Uses)	1,836,119	1,046,348	1,329,500	2,300,567
Net Change in Fund Balance	(490,148)	(1,130,759)	106,995	(213,325)
Fund Balances at Beginning of Year	5,764,625	1,321,720	546,742	260,830
Fund Balances at End of Year	$5,274,477	$190,961	$653,737	$47,505

See Accompanying Notes to the Basic Financial Statements

Police and Fire Income Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
$1,613,047	$0	$5,750,879
0	0	1,903,453
0	0	259,827
0	149,417	149,417
0	115,711	115,711
0	558,598	2,321,909
0	55,325	775,420
0	0	12,702
0	26,076	40,338
0	203	28,227
0	5,125	911,549
0	0	11,302
0	0	130,794
1,613,047	910,455	12,411,528
0	225	2,092,653
61,010	164,960	6,582,880
0	3,150	3,150
0	0	53,663
0	51,545	476,986
0	383,526	2,271,775
0	1,031,762	2,583,711
0	147,149	5,783,122
0	86,809	209,993
61,010	1,869,126	20,057,933
1,552,037	(958,671)	(7,646,405)
0	0	5,400,000
0	748,847	748,847
0	0	21,276
0	0	67,545
0	514,657	5,123,527
(1,538,370)	0	(5,123,527)
(1,538,370)	1,263,504	6,237,668
13,667	304,833	(1,408,737)
107,381	2,975,294	10,976,592
$121,048	$3,280,127	$9,567,855

City of Riverside
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		($1,408,737)
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	2,371,287	
Construction in Progres Additions	212,424	
Depreciation	(1,190,932)	
Excess of Capital Outlay over Depreciation Expense		1,392,779
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.		
Loss on Disposal of Capital Assets		(298,552)
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 Position, the lease obligation is reported as a liability.		(67,545)
Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this year:		
Income Taxes	117,952	
Delinquent Property Taxes	16,863	
Other Local Taxes	44,469	
Special Assessments	1,699	
Intergovernmental	37,476	
Charges for Services	227,051	
Interest	2,153	
Total		447,663
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Note Payments	5,460,000	
General Obligation Bonds Payments	73,612	
OWDA Loan Payments	998	
Capital Lease Payments	178,162	
OPWC Loan Payments	70,350	
Total		5,783,122
Amortization of bond premiums, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as expenses over the life of the debt in the Statement of Activities.		
Amortization of Bond Premium	23,175	
Accrued Interest	(8,257)	
Total		14,918
The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Position, the debt is recorded as a liability.		
Loans Payable	(748,847)	
Note Proceeds	(5,400,000)	
Premium on Debt Issued	(21,276)	
Total		($6,170,123)

(continued)

City of Riverside
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016
(Continued)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		$800,727
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		(1,575,990)
Some expenses 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	56,515	
Decrease in Accrued Vacation Leave Payable	8,590	
Total		65,105
Change in Net Position of Governmental Activities		($1,016,633)

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2016

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	$3,326,752	$3,455,122	$4,085,538	$630,416
Property Taxes	349,505	352,860	309,106	(43,754)
Other Local Taxes	268,111	278,806	313,363	34,557
Intergovernmental	688,626	433,949	455,993	22,044
Charges for Services	14,077	14,462	24,478	10,016
Licenses and Permits	13,889	14,521	12,702	(1,819)
Interest	5,161	5,101	18,115	13,014
Rent	1,009,380	1,055,695	904,834	(150,861)
Contributions and Donations	0	0	902	902
Miscellaneous	9,384	8,442	70,799	62,357
Total Revenues	5,684,885	5,618,958	6,195,830	576,872
Expenditures:				
Current Operations and Maintenance:				
General Government	6,404,220	2,521,103	2,311,564	209,539
Leisure Time Activities	61,245	67,049	58,598	8,451
Community and Economic Development	320,759	508,637	427,466	81,171
Capital Outlay	243,219	529,547	487,644	41,903
Debt Service:				
Principal Retirement	5,460,000	5,460,000	5,460,000	0
Interest and Fiscal Charges	68,250	87,584	87,584	0
Total Expenditures	12,557,693	9,173,920	8,832,856	341,064
Excess of Revenues Under Expenditures	(6,872,808)	(3,554,962)	(2,637,026)	917,936
Other Financing Sources (Uses):				
Issuance of Bond Anticpation Note	5,400,000	5,400,000	5,400,000	0
Premium on Debt Issued	0	0	21,276	21,276
Advances In	0	577,950	444,750	(133,200)
Advances Out	0	(183,200)	(60,000)	123,200
Transfers Out	0	(3,623,900)	(3,585,157)	38,743
Total Other Financing Sources (Uses)	5,400,000	2,170,850	2,220,869	50,019
Net Change in Fund Balance	(1,472,808)	(1,384,112)	(416,157)	967,955
Fund Balance at Beginning of Year	4,971,880	4,971,880	4,971,880	0
Prior Year Encumbrances	317,465	317,465	317,465	0
Fund Balance at End of Year	$3,816,537	$3,905,233	$4,873,188	$967,955

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
Fire Fund
For the Year Ended December 31, 2016

	Original Budget	**Revised Budget**	**Budgetary Actual**	**Variance Positive (Negative)**
Revenues:				
Property Taxes	$533,083	$640,000	$574,090	($65,910)
Intergovernmental	201,166	161,091	227,915	66,824
Charges for Services	729,522	626,777	663,437	36,660
Contributions and Donations	0	0	750	750
Miscellaneous	912	1,000	11,169	10,169
Total Revenues	1,464,683	1,428,868	1,477,361	48,493
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	2,693,937	2,424,054	2,392,898	31,156
Capital Outlay	276,120	1,261,000	1,260,957	43
Debt Service:				
Principal Retirement	87,850	87,850	87,844	6
Interest and Fiscal Charges	0	24,109	24,109	0
Total Expenditures	3,057,907	3,797,013	3,765,808	31,205
Excess of Revenues Under Expenditures	(1,593,224)	(2,368,145)	(2,288,447)	79,698
Other Financing Sources:				
Transfers In	1,101,350	1,101,350	1,046,348	(55,002)
Net Change in Fund Balance	(491,874)	(1,266,795)	(1,242,099)	24,696
Fund Balance at Beginning of Year	415,864	415,864	415,864	0
Prior Year Encumbrances	1,014,758	1,014,758	1,014,758	0
Fund Balance (Deficit) at End of Year	$938,748	$163,827	$188,523	$24,696

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
Street / Public Service Fund
For the Year Ended December 31, 2016

	Original Budget	**Revised Budget**	**Budgetary Actual**	**Variance Positive (Negative)**
Revenues:				
Intergovernmental	$720,402	$866,734	$894,127	$27,393
Miscellaneous	51,098	61,240	31,811	(29,429)
Total Revenues	771,500	927,974	925,938	(2,036)
Expenditures:				
Current Operations and Maintenance:				
Transportation	2,295,286	2,212,865	2,108,164	104,701
Capital Outlay	175,308	208,625	208,625	0
Debt Service:				
Principal Retirement	62,571	62,571	62,567	4
Interest and Fiscal Charges	9,729	9,539	9,536	3
Total Expenditures	2,542,894	2,493,600	2,388,892	104,708
Excess of Revenues Under Expenditures	(1,771,394)	(1,565,626)	(1,462,954)	102,672
Other Financing Sources:				
Transfers In	1,332,650	1,332,650	1,329,500	(3,150)
Net Change in Fund Balance	(438,744)	(232,976)	(133,454)	99,522
Fund Balance at Beginning of Year	379,851	379,851	379,851	0
Prior Year Encumbrances	186,553	186,553	186,553	0
Fund Balance at End of Year	$127,660	$333,428	$432,950	$99,522

See Accompanying Notes to the Basic Financial Statements

City of Riverside
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
Police Fund
For the Year Ended December 31, 2016

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Property Taxes	$1,259,532	$1,164,400	$1,020,257	($144,143)
Intergovernmental	36,955	174,752	195,929	21,177
Charges for Services	3,572	15,091	28,954	13,863
Fines and Forfeitures	3,343	16,394	14,483	(1,911)
Contributions and Donations	1,610	7,414	9,650	2,236
Miscellaneous	1,320	6,661	4,663	(1,998)
Total Revenues	1,306,332	1,384,712	1,273,936	(110,776)
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	4,170,672	3,676,277	3,653,741	22,536
Capital Outlay	155,000	162,015	161,413	602
Total Expenditures	4,325,672	3,838,292	3,815,154	23,138
Excess of Revenues Under Expenditures	(3,019,340)	(2,453,580)	(2,541,218)	(87,638)
Other Financing Sources:				
Transfers In	2,522,100	2,120,371	2,233,022	112,651
Net Change in Fund Balance	(497,240)	(333,209)	(308,196)	25,013
Fund Balance at Beginning of Year	505,815	505,815	505,815	0
Prior Year Encumbrances	17,972	17,972	17,972	0
Fund Balance at End of Year	$26,547	$190,578	$215,591	$25,013

See Accompanying Notes to the Basic Financial Statements

City of Riverside

Statement of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)

Police and Fire Income Tax Fund

For the Year Ended December 31, 2016

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
Revenues:				
Income Taxes	$1,760,000	$1,597,252	$1,597,252	$0
Expenditures:				
Current Operations and Maintenance:				
Security of Persons and Property	52,000	61,118	58,882	2,236
Excess of Revenues Over Expenditures	1,708,000	1,536,134	1,538,370	2,236
Other Financing Uses:				
Transfers Out	(1,708,000)	(1,538,370)	(1,538,370)	0
Net Change in Fund Balance	0	(2,236)	0	2,236
Fund Balance at Beginning of Year	36,843	36,843	36,843	0
Fund Balance at End of Year	$36,843	$34,607	$36,843	$2,236

See Accompanying Notes to the Basic Financial Statements

City of Riverside

Statement of Fiduciary Assets and Liabilities

Agency Fund

December 31, 2016

Assets:	
Equity in Pooled Cash and Cash Equivalents	$12,000
Liabilities:	
Undistributed Assets	$12,000

See Accompanying Notes to the Basic Financial Statements

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt, or the levying of its taxes. The City has no component units.

The City is associated with five organizations, three of which are defined as jointly governed organizations, one as a related organization, and one as a risk sharing pool. These organizations are presented in Notes 19, 20, and 21 to the Basic Financial Statements and are presented as follows:

Jointly Governed Organizations:
- Miami Valley Regional Planning Commission
- Greater Miami Valley Emergency Medical Services Council
- Economic Development/Government Equity Program

Related Organization:
Riverside Historical Society
Risk Sharing Pool:
Public Entities Pool of Ohio

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Riverside have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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.

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 and reports restricted monies related to the fire department activities and the fire levy tax proceeds.

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

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

Police and Fire Income Tax Fund – This fund accounts for and reports the accumulation of restricted income taxes levied for the payment of the current and accrued liability for police and fire disability and pension benefits. Once the income taxes are collected, the monies are transferred to the respective Police and Fire special revenue funds for payment of the liabilities.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund that is used to account for money held for individuals and organizations for fire insurance settlements that will be relinquished to the individuals and organizations upon restoration of damaged property.

Measurement Focus

Government-wide Financial Statements

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

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statement of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and

modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.
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 8). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, revenue in lieu of taxes, pension, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet and represents receivables that will not be collected within the available period. For the City, unavailable revenue includes income taxes, delinquent property taxes, other local taxes, special assessments, intergovernmental grants, charges for services, and interest. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 12)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City’s records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements. The City has permissive motor vehicle license money, which is held by the Montgomery County Engineer as a fiscal agent and distributed to the City for approved street projects. The balance in this account is presented on the Balance Sheet as “Cash and Cash Equivalents with Fiscal Agents.”

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2016 amounted to $28,024 which includes $12,787 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.

Material and Supplies Inventory

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

Interfund Receivables and Payables

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

Capital Assets

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

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

Descriptions	Estimated Lives
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.

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, claims and judgments and net pension liability that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, bond anticipation notes, and lease purchase agreements are recognized as liabilities on the governmental fund financial statements when due.

Compensated Absences

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes federal equitable sharing and cemetery.

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

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The nonspendable fund balance for the City includes materials and supplies inventory.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by ordinance or by State statute. The future appropriations amount assigned in the General Fund represents 2017 appropriations that exceed estimated resources. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

Unassigned

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

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

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.

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.

Budgetary Process

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 fund and 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.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond premiums are presented as additions to the face amount of bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," and GASB Statement No. 77, "Tax Abatement Disclosures."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – ACCOUNTABILITY

At December 31, 2016, the Community Development Block Grant Fund had a deficit fund balance of $10,426. The General Fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. This deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned balance (GAAP basis).

4. Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

5. 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.

6. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	General Fund	Fire Fund	Street / Public Service Fund	Police Fund	Police and Fire Income Tax Fund
GAAP Basis	($490,148)	($1,130,759)	$106,995	($213,325)	$13,667
Revenue Accruals	10,995	(3,417)	(10,226)	(70,391)	(15,795)
Expenditure Accruals	(34,431)	(48,416)	(26,879)	28,592	2,128
Encumbrances	(278,233)	(59,507)	(203,344)	(53,072)	0
Change in Fair Value of Investments -2016	(1,512)	0	0	0	0
Change in Fair Value of Investments -2015	(7,955)	0	0	0	0
Unrecorded Cash - 2016	208	0	0	0	0
Unrecorded Cash - 2015	169	0	0	0	0
Advances	384,750	0	0	0	0
Budget Basis	($416,157)	($1,242,099)	($133,454)	($308,196)	$0

NOTE 6 – DEPOSITS AND INVESTMENTS

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

Active 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 that 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 bills, bonds notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

As of December 31, 2016, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value per Share				
STAR Ohio	$124,570	Less than one year	AAAm	N/A

(continued)

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Mutual Fund	$53,532	Less than one year	AA+	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Mortgage Corporation Notes	909,479	Less than two years	AA+	29.82 %
Federal National Mortgage Association Notes	587,340	Less than two years	AA+	19.26 %
Federal Home Loan Bank Notes	731,941	Less than two years	AA+	24.00 %
Federal Farm Credit Bank Notes	63,112	Less than one year	AA+	N/A
United States Treasury Notes	75,029	Less than one year	AA+	N/A
Negotiable Certificates of Deposit	504,971	Less than five years	N/A	16.56 %
Total Investments	$3,049,974			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City’s recurring fair value measurements as of December 31, 2016. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

NOTE 7 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent on all income earned within the City, as well as on incomes of City residents that are earned outside the City. However, the City allows a credit for income taxes paid to another municipality up to 50 percent of the City's current tax rate. The City utilized the Regional Income Tax Agency (RITA) for the collection of income taxes.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, police and fire operations, and other governmental functions when needed, as determined by Council. In 2016, the proceeds were allocated to the General Fund and the Police and Fire Income Tax Special Revenue Fund.

NOTE 8 – PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017 operations.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes, which became a lien December 31, 2015, are levied after October 1, 2016 and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016 was $11.34 per $1,000 of assessed value. The assessed values of real and public utility personal property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	239,825,870
Public Utility Personal	5,440,720
Totals	$245,266,590

The Montgomery County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The Montgomery County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies, which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 9 – TAX ABATEMENTS

As of December 31, 2016, the County provides tax abatements through Enterprise Zone Tax Exemptions.

Enterprise Zone Tax Exemptions

Pursuant to Ohio Revised Code Chapter 5709, the County established two Enterprise Zones to provide property tax abatements to encourage job creation within the City. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a sixty to seventy-five percent of the additional property tax resulting from the increase is assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2016.

Tax Abatement Program	Amount of 2016 Taxes Abated
Enterprise Zone Tax Exemptions	
- Construction	$13,411

NOTE 10 – RECEIVABLES

Receivables at December 31, 2016 consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, income taxes, property taxes, other local taxes, revenue in lieu of taxes, special assessments, and interfund. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, income taxes, and special assessments. Property taxes, income taxes, and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Special assessments expected to be collected in more than one year for the City amounts to $27,728 and represents delinquents at December 31, 2016.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Homestead and Rollback	$179,069
County Local Government	127,488
State Local Government	3,567
Gasoline Excise Tax	274,592
Motor Vehicle License Tax	85,015
Cents per Gallon	149,174
Office of Criminal Justice Services/Victims of Crime Act Grant	5,705
Permissive Tax	13,699
Community Development Block Grant	15,815
Montgomery County Court	1,160
City of Huber Heights	5,886
Total Intergovernmental Receivable	$861,170

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, 2016, with a corresponding credit to deferred inflows of resources - revenue in lieu of taxes.

NOTE 11 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$3,105,681	$52,315	$0	$3,157,996
Construction in Progress	26,738	212,424	194,750	44,412
Total Capital Assets, Not Being Depreciated	3,132,419	264,739	194,750	3,202,408
Depreciable Capital Assets:				
Land Improvements	628,653	194,750	0	823,403
Buildings and Building Improvements	5,588,253	66,838	367,993	5,287,098
Machinery and Equipment	3,943,923	282,414	4,532	4,221,805
Vehicles	3,855,022	1,170,874	319,771	4,706,125
Infrastructure	10,122,280	798,846	0	10,921,126
Total Depreciable Capital Assets	24,138,131	2,513,722	692,296	25,959,557
Total Capital Assets At Historical Cost	27,270,550	2,778,461	887,046	29,161,965
Less Accumulated Depreciation:				
Land Improvements	(223,780)	(35,326)	0	(259,106)
Buildings and Building Improvements	(1,080,010)	(139,686)	(77,782)	(1,141,914)
Machinery and Equipment	(2,221,612)	(247,791)	(4,532)	(2,464,871)
Vehicles	(2,757,065)	(289,789)	(311,430)	(2,735,424)
Infrastructure	(2,238,780)	(478,340)	0	(2,717,120)
Total Accumulated Depreciation	(8,521,247)	(1,190,932)	(393,744)	(9,318,435)
Depreciable Capital Assets, Net	15,616,884	1,322,790	298,552	16,641,122
Governmental Activities Capital Assets, Net	$18,749,303	$1,587,529	$493,302	$19,843,530

Depreciation expense was charged to governmental programs as follows:

General Government	$173,630
Security of Persons and Property	367,211
Public Health Services	158
Leisure Time Activities	26,119
Community and Economic Development	65
Transportation	623,749
Total Depreciation Expense	$1,190,932

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $153,321 for 2016. Of this amount, $25,971 is reported as an intergovernmental payable.

Plan Description - Ohio Police and Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $647,406 for 2016. Of this amount, $120,056 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01023000%	0.14821900%	
Prior Measurement Date	0.01020650%	0.14421990%	
Change in Proportionate Share	0.00002350%	0.00399910%	
Proportionate Share of the Net Pension Liability	$1,771,965	$9,535,032	$11,306,997
Pension Expense	$249,207	$1,326,783	$1,575,990

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$520,847	$1,551,938	$2,072,785
Changes in proportion and differences between City contributions and proportionate share of contributions	1,870	166,216	168,086
City contributions subsequent to the measurement date	153,321	647,406	800,727
Total Deferred Outflows of Resources	$676,038	$2,365,560	$3,041,598
Deferred Inflows of Resources			
Differences between expected and actual experience	$34,237	$26,774	$61,011

$800,727 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2017	$114,777	$435,535	$550,312
2018	123,105	435,535	558,640
2019	132,728	435,535	568,263
2020	117,870	346,662	464,532
2021	0	32,026	32,026
Thereafter	0	6,087	6,087
Total	$488,480	$1,691,380	$2,179,860

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00%	5.27%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$2,823,173	$1,771,965	$885,304

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

Note: Assumptions are geometric.
* levered 2x
** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$12,575,430	$9,535,032	$6,959,516

NOTE 13 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contributions allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2016, 2015, and 2014 were $29,907, $59,818, and $37,490, respectively. For 2016, 89.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

<u>Ohio Police and Fire Pension Fund</u>

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 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 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 percent of covered payroll for police and fire employer units. 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 administered 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 2016, the portion of employer contributions allocated to health care was 0.5 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 is also 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 contribution to OP&F for the years ended December 31, 2016, 2015, and 2014 were \$687,988, \$639,415, and \$648,605, respectively, of which \$16,749, \$15,537, and \$15,737, respectively, was allocated to the healthcare plan. For 2016, 87.62 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

NOTE 14 – EMPLOYEE BENEFITS

Compensated Absences

Vacation leave is earned at rates that vary depending upon length of service and negotiated agreements. The current policy of union employees covered by negotiated agreements credits vacation leave annually on January 1 and allows the unused balance to be accumulated at levels that 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 that 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 that 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.

Insurance Benefits

Full-time City employees are provided medical/surgical benefits from Anthem Blue Cross Blue Shield. The City pays 90 percent for non-union employees and 83 percent for union employees of the monthly premiums for the employees. The premium varies with each employee depending on the plan. 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; and police and fire employees receive $50,000, and street union employees receive $30,000 in coverage selected. Additionally, the City contributes to Health Savings accounts for all full-time employees, which serves to pay part of the employees' deductible each year. Employees can purchase dental insurance through Superior Dental Care and vision benefits through Superior Vision. Life insurance is provided through Anthem Life Insurance.

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.

NOTE 15 – LEASES – LESSEE DISCLOSURE

Capital

In 2016, the City entered into a lease agreement with Ford Motor Credit for two police interceptors. The original amount of the interceptor lease was $67,545 and will be paid from the Police Fund.

In 2014, the City entered into a lease agreement with U.S. Bancorp for energy conservation improvements. The original amount of the energy conservation lease was for $830,000 with $56,742 being considered a capital lease and $773,258 being considered an operating lease. Both the capital and operating leases will be repaid from the Debt Service Fund.

In 2015, the City also entered into two lease agreements with U.S. Bancorp. The first being for three snow plows and the second for two fire trucks.. The original amount of the snow plow lease was $455,655 and will be paid from the Street Fund. The original amount of the fire truck lease was $985,000 and will be repaid from the Fire Fund.

In 2015, the City also entered into a lease agreement with De Lage Landen Public Finance, LLC for copiers. The original amount of the copier lease was $39,961 and will be repaid from the General, Fire, Street and Police Funds.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Basic Financial Statements for the governmental funds.

Capital assets acquired by leases have been capitalized in the amount of $1,604,903 which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2016 totaled $178,162.

The assets acquired through capital leases are as follows:

	Asset Value	Depreciation	December 31, 2016
Asset:			
Buildings	$56,742	($2,128)	$54,614
Machinery and Equipment	39,961	(4,995)	34,966
Vehicles	1,508,200	(133,020)	1,375,180
	$1,604,903	($140,143)	$1,464,760

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016.

Year Ending December 31,	
2017	$214,786
2018	214,788
2019	214,782
2020	195,642
2021	187,266
2022-2026	506,714
2027-2029	11,805
Total	1,545,783
Less: Amount Representing Interest	(154,513)
Present Value of Minimum Lease Payments	$1,391,270

Operating

In 2014, the City entered into a lease purchase agreement with U.S. Bancorp to finance energy conservation improvements made to various buildings and infrastructure throughout the City. The original amount of the lease was $830,000 with $56,742 being considered a capital lease and $773,258 being considered an operating lease. The lease commenced on June 20, 2014 and ends June 20, 2029. Operating lease payments made during 2016 were $64,350.

The future minimum lease payments are as follows:

Year Ending December 31,	Payment Total
2017	$64,350
2018	64,350
2019	64,350
2020	64,350
2021	64,350
2022-2026	321,750
2027-2029	160,875
Total	$804,375

NOTE 16 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

The change in the City's long-term obligations during 2016 consisted of the following:

	Balance at December 31, 2015	Issued	Retired	Balance at December 31, 2016	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2010 Various Purpose					
Bonds 3.6% $1,200,000	$868,879	$0	$73,612	$795,267	$76,286
Other Long-Term Obligations:					
2011 OWDA Loan 3.25% $23,100	18,151	0	998	17,153	1,031
2012 Brantwood Division TIF					
Loan 5.0% $1,400,000	1,335,367	0	0	1,335,367	0
2016 Brantwood Division II TIF					
Loan 5.0% $748,847	0	748,847	0	748,847	0
2015 Property Acquisition Non-Tax					
Revenue Bond Anticipation					
Note 1.25% $5,460,000	5,460,000	0	5,460,000	0	0
Premium	8,991	0	8,991	0	0
2016 Property Acquisition Non-Tax					
Revenue Bond Anticipation					
Note 1.5% $5,400,000	0	5,400,000	0	5,400,000	0
Premium	0	21,276	14,184	7,092	0
OPWC Harshman Road Project					
Phase II	188,000	0	8,000	180,000	8,000
OPWC Burkhardt Road Project	311,748	0	62,350	249,398	62,350
Compensated Absences	607,949	30,925	87,440	551,434	125,354
Capital Leases	1,501,887	67,545	178,162	1,391,270	179,309
Total Other Long-Term Obligations	$9,432,093	$6,268,593	$5,820,125	$9,880,561	$376,044

continued

	Balance at December 31, 2015	Issued	Retired	Balance at December 31, 2016	Due Within One Year
Net Pension Liability:					
OPERS	$1,231,016	$540,949	$0	$1,771,965	$0
OP&F	7,471,192	2,063,840	0	9,535,032	0
Total Net Pension Liability	8,702,208	2,604,789	0	11,306,997	0
Total Governmental Activities	$19,003,180	$8,873,382	$5,893,737	$21,982,825	$452,330

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.

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

On December 21, 2012, the City entered into a tax increment financing and infrastructure development agreement with Disciple Development Company, LLC to fund the construction of public infrastructure improvement in the Brantwood division. The loan was received in 2013. Per the agreement, the City will begin repaying the loan once TIF monies are received from the Brantwood division development, and the repayment schedule will depend upon the amount of TIF monies received by the City.

On February 5, 2016, the City entered into a tax increment financing and infrastructure development agreement with Brantwood Development, LLC to fund the construction of public infrastructure improvement in the Brantwood division II. The loan was received in 2016. Per the agreement, the City will begin repaying the loan once TIF monies are received from the Brantwood division II development, and the repayment schedule will depend upon the amount of TIF monies received by the City.

The 2015 Property Acquisition Non-Tax Revenue Bond Anticipation Note was issued on April 23, 2015, in the amount of $5,460,000 for acquisition and improvements of properties and buildings. This note was refinanced on April 22, 2016 for $5,400,000. The City has spent $4,259,000 of the note proceeds as of December 31, 2016.

The City received a loan in the amount of $200,000 from the Ohio Public Works Commission for the Harshman Road Improvements. The loan was issued at a zero percent interest rate and will mature on January 1, 2039. The loan will be repaid from the Bond Retirement fund.

During 2015, the City received a loan in the amount of $311,748 from the Ohio Public Works Commission for the Burkhardt Road Project. The loan was issued at a zero percent interest rate and will mature on January 1, 2021. The loan will be repaid from the Bond Retirement fund.

Compensated absences will be paid from the General Fund and the Fire, Street / Public Service, Police, and Victims of Crime Act special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund and Fire, Street, Police and Victim Assistance Special Revenue Funds. For additional information related to the net pension liability see note 12.

The City's overall legal debt margin was $21,117,094 and the unvoted legal debt margin was $8,853,764 at December 31, 2016.

Principal and interest requirements to retire the City's outstanding general obligation bonds at December 31, 2016 were:

	General Obligation Bonds		OWDA	
Year	Principal	Interest	Principal	Interest
2017	$76,286	$27,949	$1,031	$507
2018	79,057	25,178	1,064	476
2019	81,929	22,306	1,099	444
2020	557,995	19,331	1,135	410
2021	0	0	1,172	376
2022-2026	0	0	6,466	1,325
2027-2030	0	0	5,186	306
Total	$795,267	$94,764	$17,153	$3,844

	OPWC Harshman	OPWC Burkhardt	Total	
Year	Principal	Principal	Principal	Interest
2017	$8,000	$62,350	$147,667	$28,456
2018	8,000	62,350	150,471	25,654
2019	8,000	62,350	153,378	22,750
2020	8,000	62,348	629,478	19,741
2021	8,000	0	9,172	376
2022-2026	40,000	0	46,466	1,325
2027-2031	40,000	0	45,186	306
2032-2036	40,000	0	40,000	0
2037-2039	20,000	0	20,000	0
Total	$180,000	$249,398	$1,241,818	$98,608

NOTE 17 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 21). 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.

NOTE 18 – INTERFUND ACTIVITY

Interfund balances at December 31, 2016 consisted of $10,000 advanced from the General Fund to nonmajor governmental funds as a result of an advance for a grant reimbursement. All amounts are expected to be repaid within one year.

Transfers made during the year ended December 31, 2016 were as follows:

	Transfers To				
Transfers From	Fire Fund	Street / Public Service Fund	Police Fund	Nonmajor Governmental Funds	Total
General Fund	$431,000	$1,329,500	$1,310,000	$514,657	$3,585,157
Police and Fire Income Tax Fund	615,348	0	923,022	0	1,538,370
Total	$1,046,348	$1,329,500	$2,233,022	$514,657	$5,123,527

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from the Police and Fire Income Tax Fund to the Fire Fund and Police Fund were made for operating purposes. All transfers were compliant with Ohio Revised Code sections 5705.1, 5705.15 and 5705.16.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

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 that affect the development of the region. The Board exercises total control over the operations of the Commission including budgeting, appropriating, contracting and designing management. 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 $11,592 for the operation of the Commission during 2016. Financial information may be obtained by writing to Brian Martin, Executive Director, 10 North Ludlow Street, Suite 700, Dayton, Ohio 45402.

Greater Miami Valley Emergency Medical Services Council

The Greater Miami Valley EMS Council is a jointly governed organization between municipal corporations and townships in Montgomery, Greene, and Warren Counties. The purpose of the Council is to foster cooperation among the political subdivisions by promoting programs and recommending matters that will result in more efficient methods of delivering fire and emergency medical services in the region. The Council 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 Council are made from the Fire Special Revenue Fund. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designing management. The degree of control exercised by any participating government is limited to its representation on the Board. The City contributed $550 toward the operation of the Council during 2016. Financial information may be obtained by writing to Sandy Lehrter, Executive Administrator, at 247 Taylor Street, Suite 130, Dayton, Ohio, 45402.

Economic Development/Government Equity Program

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

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for 8 years, ending December 31, 2019. 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 Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designing management. The degree of control exercised by any participating government is limited to its representation on the Board. The City did not receive any monies from ED/GE during 2016. Financial information may be obtained by writing to Erik Collins, Executive Administrator, 451 West Third Street, Dayton, Ohio, 45422.

NOTE 20 – RELATED ORGANIZATION

The Riverside Historical Society (RHS) is a related organization that was created by Ordinance No. 96-0-79 on November 7, 1996 by the City of Riverside. RHS is governed by seven members, which are appointed by City Council. RHS was established to provide a society that 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 $5,004 to the operation of the RHS during 2016.

NOTE 21 – RISK SHARING POOL

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

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

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 coverage provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of PEP. During 2016, the City of Riverside made premium payments of $171,798 to PEP. There was no required surplus contribution in 2016.

PEP is governed by a seven-member Board of Trustees elected by the members of PEP. The City makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio, 45402.

NOTE 22 – CONTINGENT LIABILITIES

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.

Federal and State Grants

For the period January 1, 2016 to December 31, 2016, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 23 – FUND BALANCES

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

Fund Balances	General Fund	Fire Fund	Street / Public Service Fund	Police Fund
Nonspendable:				
Materials and Supplies	$295	$3,580	$70,432	$202
Restricted for:				
Safety Forces	0	187,381	0	47,303
Transportation Services	0	0	583,305	0
Center of Flight Program	0	0	0	0
Drug Law	0	0	0	0
Public Health Services	0	0	0	0
Community Development	0	0	0	0
Capital Improvements	0	0	0	0
Total Restricted	0	187,381	583,305	47,303
Committed to:				
Transportation Services	0	0	0	0
Assigned to:				
Purchases on Order	192,932	0	0	0
Community Development	0	0	0	0
Future Appropriations	2,595,753	0	0	0
Debt Service Payments	0	0	0	0
Total Assigned	2,788,685	0	0	0
Unassigned (Deficit)	2,485,497	0	0	0
Total Fund Balances	$5,274,477	$190,961	$653,737	$47,505

Fund Balances	Police and Fire Income Tax Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Materials and Supplies	$0	$0	$74,509
Restricted for:			
Safety Forces	121,048	314,644	670,376
Transportation Services	0	1,002,680	1,585,985
Center of Flight Program	0	283,821	283,821
Drug Law	0	2,514	2,514
Public Health Services	0	6,662	6,662
Community Development	0	211	211
Capital Improvements	0	57,697	57,697
Total Restricted	121,048	1,668,229	2,607,266
Committed to:			
Transportation Services	0	229	229
Assigned to:			
Purchases on Order	0	0	192,932
Community Development	0	62,726	62,726
Future Appropriations	0	0	2,595,753
Debt Service Payments	0	1,559,369	1,559,369
Total Assigned	0	1,622,095	4,410,780
Unassigned (Deficit)	0	(10,426)	2,475,071
Total Fund Balances	$121,048	$3,280,127	$9,567,855

NOTE 24 – SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	$278,233
Fire Fund	59,507
Street/Public Service Fund	203,344
Police Fund	53,072
Nonmajor Governmental Funds	56,918
Total	$651,074

Contractual Commitments

The City of Riverside has entered into the following contract as of December 31, 2016:

Contractor	Purpose	Amount Remaining
Choice One Engineering	East Springfield Street Repair	$154,361

NOTE 25 – SUBSEQUENT EVENTS

On April 21, 2017, the City reissued Non-Tax Revenue Bond Anticipation Notes in the amount of $5,300,000.

Required Supplementary Information

City of Riverside
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.01023000%	0.01020650%	0.01020650%
City's Proportionate Share of the Net Pension Liability	$1,771,965	$1,231,016	$1,203,213
City's Covered Payroll	$1,244,308	$1,224,748	$1,164,021
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	142.41%	100.51%	103.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Riverside
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.14821900%	0.14421990%	0.14421990%
City's Proportionate Share of the Net Pension Liability	$9,535,032	$7,471,192	$7,023,962
City's Covered Payroll	$3,071,613	$2,928,529	$2,550,921
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	310.42%	255.12%	275.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Riverside
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	$153,321	$152,682	$150,347	$151,323
Contributions in Relation to the Contractually Required Contribution	(153,321)	(152,682)	(150,347)	(151,323)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$1,267,506	$1,244,308	$1,224,748	$1,164,021
Contributions as a Percentage of Covered Payroll	12.10%	12.27%	12.28%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

City of Riverside
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2016	2015	2014	2013
Contractually Required Contribution	$647,406	$632,322	$603,551	$445,308
Contributions in Relation to the Contractually Required Contribution	(647,406)	(632,322)	(603,551)	(445,308)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$3,148,566	$3,071,613	$2,928,529	$2,550,921
Contributions as a Percentage of Covered Payroll:	20.56%	20.59%	20.61%	17.46%

2012	2011	2010	2009	2008	2007
$377,381	$401,451	$403,022	$404,265	$404,259	$367,954
(377,381)	(401,451)	(403,022)	(404,265)	(404,259)	(367,954)
$0	$0	$0	$0	$0	$0
$2,638,061	$2,832,034	$2,848,130	$2,818,139	$2,842,149	$2,587,935
14.31%	14.18%	14.15%	14.35%	14.22%	14.22%

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of Riverside
Montgomery County
5200 Springfield Street, Suite 100
Riverside, Ohio 45431

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Riverside's basic financial statements and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

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

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Riverside' financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Mayor and Members of Council
City of Riverside

Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.
June 26, 2017

CITY OF RIVERSIDE
MONTGOMERY COUNTY, OHIO

STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number	**Finding Summary**	**Fully Corrected?**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:**
2015-001	Noncompliance and Material Weakness – Improper Transfers: During 2015, the City improperly transferred the unspent proceeds from their Ohio Public Works Commission (OPWC) projects into the General fund. These transfers were not separately approved by the City Council in open session. The unspent proceeds were restricted and intended to repay the debt outstanding on these projects.	Yes	N/A

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CITY OF RIVERSIDE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 9, 2017