

**CITY OF RIVERSIDE
MONTGOMERY COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
City of Riverside
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Riverside, OH 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, 2018 through December 31, 2018. 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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 25, 2019

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**CITY OF RIVERIDE
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18 - 19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Fire Fund.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Street/Public Service Fund.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Police Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Fire/EMS and Police Income Tax Fund	29
Statement of Fiduciary Assets and Liabilities - Agency Fund	30
Notes to the Basic Financial Statements.....	31 - 82
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS).....	84
Ohio Police and Fire (OP&F) Pension Fund	85
Schedule of City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS)	86 - 87
Ohio Police and Fire (OP&F) Pension Fund	88 - 89
Schedule of the City’s Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System (OPERS)	90
Ohio Police and Fire (OP&F) Pension Fund	91
Schedule of City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS)	92 - 93
Ohio Police and Fire (OP&F) Pension Fund	94 - 95
Notes to the Required Supplementary Information	96
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	97 - 98

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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 Members of Council and Mayor:

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, 2018, 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 such 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, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Fire, Street/Public Service, Police, and Fire/EMS and Police Income Tax Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City of Riverside adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension asset and net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 24, 2019, 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.
June 24, 2019

CITY OF RIVERSIDE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The management's 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, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the City decreased \$1,379,185 or 34.53% from 2017's restated net position.
- General revenues accounted for \$9,296,222 or 70.85% of total governmental activities revenue. Program specific revenues accounted for \$3,824,046 or 29.15% of total governmental activities revenue.
- The City had \$14,499,453 in expenses related to governmental activities; \$3,824,046 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily miscellaneous revenues, property taxes, payments in lieu of taxes, income taxes and unrestricted grants and entitlements) of \$9,296,222.
- The general fund had revenues and other financing sources of \$11,245,742 in 2018. The expenditures and other financing uses of the general fund totaled \$12,010,134 in 2018. The net decrease in fund balance for the general fund was \$764,392 or 16.56%.
- The fire fund had revenues and other financing sources of \$2,843,322 in 2018. The expenditures of the fire fund totaled \$2,815,524 in 2018. The net increase in fund balance for the fire fund was \$27,798 or 13.31%.
- The street/public service fund had revenues and other financing sources of \$2,328,141 in 2018. The expenditures of the street/public service fund totaled \$2,177,415 in 2018. The net increase in fund balance for the street/public service fund was \$150,726 or 39.38%.
- The police fund had revenues and other financing sources of \$4,009,604 in 2018. The expenditures of the police fund totaled \$4,011,233 in 2018. The net decrease in fund balance for the police fund was \$1,629 or 4.01%.
- The police and fire income tax fund had revenues of \$1,700,130 in 2018. The expenditures and other financing uses of the police and fire income tax fund totaled \$1,665,926 in 2018. The net increase in fund balance for the police and fire income tax fund was \$34,204 or 30.33%.
- In the general fund, the actual revenues and other financing sources of \$6,216,469 were greater than the final budget of \$5,594,821. Actual expenditures and other financing uses of \$6,806,041 were less than the amount in the final budget of \$7,303,901. Budgeted revenues and other financing sources decreased \$46,632 from the original to the final budget while budgeted expenditures and other financing uses increased \$419,700.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF RIVERSIDE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the City's programs and services, including general administration, police and fire protection, street maintenance, economic development and capital improvements. These services are funded primarily by property and municipal income taxes, revenue in lieu of taxes, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire fund, street/public service fund, police fund and police and fire income tax fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Fiduciary funds use the accrual basis of accounting. Agency funds are the City's only fiduciary fund type.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension/ OPEB liabilities.

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CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Net Position	
		(Restated)
	Governmental Activities 2018	Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 14,967,714	\$ 15,160,431
Capital assets, net	<u>21,290,295</u>	<u>19,981,495</u>
Total assets	<u>36,258,009</u>	<u>35,141,926</u>
<u>Deferred outflows of resources</u>	<u>3,074,713</u>	<u>2,732,723</u>
<u>Liabilities</u>		
Current liabilities	2,120,969	1,718,906
Long-term liabilities		
Net pension liability	10,938,899	11,727,986
Net OPEB liability	9,807,136	8,196,361
Other long-term liabilities	<u>10,878,931</u>	<u>10,215,035</u>
Total liabilities	<u>33,745,935</u>	<u>31,858,288</u>
<u>Deferred inflows of resources</u>	<u>2,971,314</u>	<u>2,021,703</u>
<u>Net position</u>		
Net investment in capital assets	10,792,980	10,812,637
Restricted	2,293,746	2,380,318
Unrestricted (deficit)	<u>(10,471,253)</u>	<u>(9,198,297)</u>
Total net position	<u>\$ 2,615,473</u>	<u>\$ 3,994,658</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

CITY OF RIVERSIDE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$12,156,500 to \$3,994,658 for governmental activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,615,473.

CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 58.72% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. The net investment in capital assets at December 31, 2018, was \$10,792,980 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,293,746, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance is a deficit unrestricted net position of \$10,471,253.

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CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The following table shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Change in Net Position	
	Governmental Activities	
	2018	(Restated) 2017
Revenues		
Program revenues:		
Charges for services	\$ 1,768,530	\$ 1,666,316
Operating grants and contributions	1,691,966	1,953,435
Capital grants and contributions	363,550	126,555
Total program revenues	<u>3,824,046</u>	<u>3,746,306</u>
General revenues:		
Property taxes	1,938,942	1,886,197
Income taxes	6,038,480	6,155,347
Other local taxes	307,488	279,581
Revenue in lieu of taxes	146,718	148,517
Unrestricted grants and entitlements	489,818	377,981
Investment earnings	46,368	20,088
Miscellaneous	328,408	290,580
Total general revenues	<u>9,296,222</u>	<u>9,158,291</u>
Total revenues	<u>13,120,268</u>	<u>12,904,597</u>
Expenses		
General government	2,479,048	2,570,235
Security of persons and property	8,169,609	7,471,170
Public health and welfare	6,743	7,753
Leisure time activity	84,828	74,704
Community and economic development	683,290	661,377
Transportation	2,768,107	3,067,121
Interest and fiscal charges	307,828	542,040
Total expenses	<u>14,499,453</u>	<u>14,394,400</u>
Change in net position	(1,379,185)	(1,489,803)
Net position at beginning of year (restated)	<u>3,994,658</u>	N/A
Net position at end of year	<u>\$ 2,615,473</u>	<u>\$ 3,994,658</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$34,519 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$791,276.

CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	<u>Governmental Activities</u>
Total 2018 program expenses under GASB 75	\$ 14,499,453
OPEB expense under GASB 75	(791,276)
2018 contractually required contributions	<u>21,461</u>
Adjusted 2018 program expenses	13,729,638
Total 2017 program expenses under GASB 45	<u>14,394,400</u>
Decrease in program expenses not related to OPEB	<u>\$ (664,762)</u>

Governmental Activities

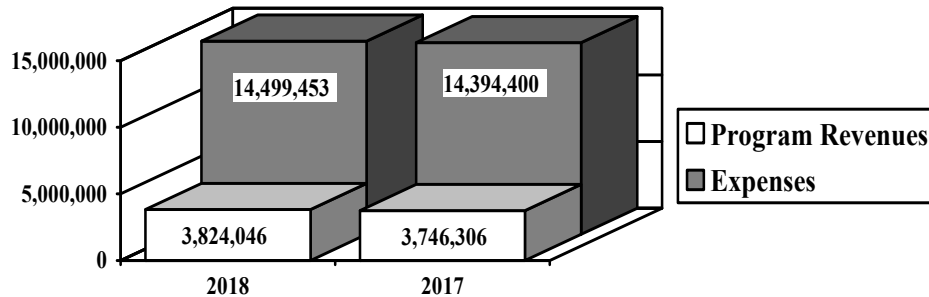
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$8,169,609 of the total expenses of the City. These expenses were partially funded by \$858,450 in direct charges to users of the services and \$372,541 in operating grants and contributions. Transportation expenses totaled \$2,768,107. Transportation expenses were primarily funded by \$1,269,425 in operating grants and contributions and \$363,550 in capital grants and contributions.

During 2018, the local state and federal government contributed to the City a total of \$2,055,516 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,269,425 subsidized transportation programs and \$372,541 subsidized security of persons and property programs. The City received \$363,550 in capital grants and contributions which includes funds from OPWC for road projects.

General revenues totaled \$9,296,222 and amounted to 70.85% of total governmental revenues in 2018. These revenues primarily consist of property and income tax revenue of \$7,977,422. The other primary source of general revenues is unrestricted grants and entitlements, making up \$489,818.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and municipal income taxes as well as miscellaneous revenues.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF RIVERSIDE, OHIO

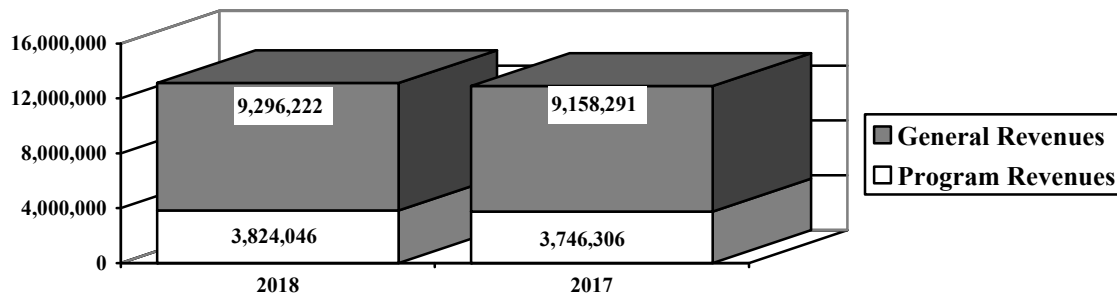
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
General government	\$ 2,479,048	\$ 1,590,860	\$ 2,570,235	\$ 1,712,470
Security of persons and property	8,169,609	6,938,618	7,471,170	6,306,677
Public health and welfare	6,743	6,743	7,753	7,353
Leisure time activity	84,828	84,828	74,704	74,704
Community and economic development	683,290	611,398	661,377	431,621
Transportation	2,768,107	1,135,132	3,067,121	1,573,229
Interest and fiscal charges	307,828	307,828	542,040	542,040
Total	\$ 14,499,453	\$ 10,675,407	\$ 14,394,400	\$ 10,648,094

The dependence upon general revenues for governmental activities is apparent, with 73.63% of expenses supported through taxes and other general revenues for 2018.

Governmental Activities - General and Program Revenues



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$7,501,434 which is \$781,036 less than last year's total of \$8,282,470. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 and December 31, 2017 for all major and nonmajor governmental funds.

CITY OF RIVERSIDE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Fund Balances (Deficit) <u>12/31/18</u>	Fund Balances (Deficit) <u>12/31/17</u>	Increase (Decrease) <u></u>
Major funds:			
General	\$ 3,851,230	\$ 4,615,622	\$ (764,392)
Fire	236,571	208,773	27,798
Street/public service	533,490	382,764	150,726
Police	(42,262)	(40,633)	(1,629)
Police and fire income tax	146,960	112,756	34,204
Other nonmajor governmental funds	<u>2,775,445</u>	<u>3,003,188</u>	<u>(227,743)</u>
Total	<u>\$ 7,501,434</u>	<u>\$ 8,282,470</u>	<u>\$ (781,036)</u>

General Fund

The City's general fund balance decreased \$764,392. The table that follows assists in illustrating the revenues of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,025,029	\$ 4,776,160	5.21 %
Rent	716,808	755,221	(5.09) %
Intergovernmental	369,456	440,619	(16.15) %
Investment income	46,659	21,879	113.26 %
Other	<u>187,779</u>	<u>140,388</u>	33.76 %
Total	<u>\$ 6,345,731</u>	<u>\$ 6,134,267</u>	3.45 %

Tax revenue represents 79.19% of all general fund revenue. The increase in tax revenue is due to a decrease in unemployment in 2018, which resulted in increased income tax revenue. Rent revenue decreased due to lower rent revenue at Wright Point in 2018. Intergovernmental revenues decreased 16.15% primarily due to the City receiving funds from the Wellfield Protection grant in 2017 and not in 2018. All other amounts remained comparable to 2017.

The table that follows assists in illustrating the expenditures of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,708,016	\$ 2,314,188	17.02 %
Leisure time activity	55,267	45,071	22.62 %
Community and economic development	486,900	439,910	10.68 %
Capital outlay	196,292	402,295	(51.21) %
Debt service	<u>5,106,376</u>	<u>5,489,128</u>	(6.97) %
Total	<u>\$ 8,552,851</u>	<u>\$ 8,690,592</u>	(1.58) %

CITY OF RIVERSIDE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The total general fund expenditures of the City decreased 1.58%. The most significant changes occurred in the general government, capital outlay, and debt service line items. General government expenditures increased 17.02% due to an increase in general administrative expenditures. Debt service expenditures decreased 6.97% due to the change in the City's short-term bond anticipation note described in Note 13. Capital outlay decreased by 51.21% or \$206,003 primarily due to a reduction in building and tenant improvement expenditures.

Fire Fund

The City's fire fund had revenues and other financing sources of \$2,843,322 in 2018. The expenditures of the fire fund totaled \$2,815,524 in 2018. The net increase in fund balance for the fire fund was \$27,798 or 13.31%.

Street/Public Service Fund

The City's street/public service fund had revenues and other financing sources of \$2,328,141 in 2018. The expenditures of the street/public service fund totaled \$2,177,415 in 2018. The net increase in fund balance for the street/public service fund was \$150,726 or 39.38%.

Police Fund

The City's police fund had revenues and other financing sources of \$4,009,604 in 2018. The expenditures of the police fund totaled \$4,011,233 in 2018. The net decrease in fund balance for the police fund was \$1,629 or 4.01%.

Police and Fire Income Tax Fund

The City's police and fire income tax fund had revenues of \$1,700,130 in 2018. The expenditures and other financing uses of the police and fire income tax fund totaled \$1,665,926 in 2018. The net increase in fund balance for the police and fire income tax fund was \$34,204 or 30.33%.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. The actual revenues and other financing sources of \$6,216,469 were greater than the final budget of \$5,594,821. Actual expenditures and other financing uses of \$6,806,041 were less than the amount in the final budget of \$7,303,901. Budgeted revenues and other financing sources decreased \$46,632 from the original to the final budget while budgeted expenditures and other financing uses increased \$419,700.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had \$21,290,295 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure.

CITY OF RIVERSIDE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The following table shows 2018 balances compared to 2017:

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 3,186,949	\$ 3,186,949
Construction in progress	1,206,165	393,329
Land improvements	633,922	681,596
Buildings and improvements	4,133,543	4,256,510
Machinery and equipment	1,454,869	1,591,277
Vehicles	2,048,862	1,992,064
Infrastructure	8,625,985	7,879,770
Totals	\$ 21,290,295	\$ 19,981,495

The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 40.52% of the City's total governmental capital assets. See Note 10 to the basic financial statements for detail on capital assets.

Debt Administration

The City had the following long-term obligations in outstanding at December 31, 2018 and 2017:

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 639,923	\$ 718,981
OPWC loans	288,699	359,048
OWDA loan	15,058	16,122
TIF loans	2,815,773	2,084,214
Bond anticipation note	4,900,000	5,000,000
Capital lease obligation	1,552,491	1,436,924
Total long-term debt obligations	\$ 10,211,944	\$ 9,615,289

See Note 12 to the basic financial statements for detail on long-term obligations.

Contacting the City's Financial Management

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

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CITY OF RIVERSIDE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 8,189,471
Cash with fiscal agent	52,080
Receivables:	
Income taxes	2,517,638
Property and other local taxes	2,055,436
Accounts	718,508
Payments in lieu of taxes	176,330
Special assessments	27,913
Accrued interest	12,412
Due from other governments	1,138,730
Materials and supplies inventory	52,091
Net pension asset	27,105
Capital assets:	
Land and construction in progress	4,393,114
Depreciable capital assets, net	16,897,181
Total capital assets, net	21,290,295
Total assets	36,258,009
Deferred outflows of resources:	
Pension	1,980,644
OPEB	1,094,069
Total deferred outflows of resources	3,074,713
Liabilities:	
Accounts payable	235,971
Contracts payable	694,322
Accrued wages payable	253,383
Due to other governments	286,962
Accrued interest payable	425,889
Notes payable	100,000
Accrued vacation payable	124,442
Long-term liabilities:	
Due within one year	637,491
Due greater than one year:	
Net pension liability	10,938,899
Net OPEB liability	9,807,136
Other amounts due in more than one year	10,241,440
Total liabilities	33,745,935
Deferred inflows of resources:	
Property taxes and payments in lieu of taxes levied for the next fiscal year	2,011,210
Pension	741,514
OPEB	218,590
Total deferred inflows of resources	2,971,314
Net position:	
Net investment in capital assets	10,792,980
Restricted for:	
Capital projects	147,971
Transportation projects	850,486
Community development programs	225,505
Police and fire purposes	1,061,693
Other purposes	8,091
Unrestricted (deficit)	(10,471,253)
Total net position	\$ 2,615,473

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>Changes in</u>
					<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government.	\$ 2,479,048	\$ 888,188	\$ -	\$ -	\$ (1,590,860)
Security of persons and property . . .	8,169,609	858,450	372,541	-	(6,938,618)
Public health and welfare	6,743	-	-	-	(6,743)
Transportation.	2,768,107	-	1,269,425	363,550	(1,135,132)
Community and economic development.	683,290	21,892	50,000	-	(611,398)
Leisure time activity.	84,828	-	-	-	(84,828)
Interest and fiscal charges.	307,828	-	-	-	(307,828)
Total governmental activities	<u>\$ 14,499,453</u>	<u>\$ 1,768,530</u>	<u>\$ 1,691,966</u>	<u>\$ 363,550</u>	<u>(10,675,407)</u>
General revenues:					
Property taxes levied for:					
					319,251
General purposes					590,183
Fire.					1,029,508
Police.					
Income taxes levied for:					
					4,359,595
General purposes					1,678,885
Police and fire					307,488
Other local taxes.					146,718
Payments in lieu of taxes					
Grants and entitlements not restricted					
to specific programs					489,818
Investment earnings					46,368
Miscellaneous					328,408
Total general revenues					<u>9,296,222</u>
Change in net position					(1,379,185)
Net position at beginning of year (restated) .					<u>3,994,658</u>
Net position at end of year.					<u>\$ 2,615,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Street/ Public Service</u>	<u>Police</u>
Assets:				
Equity in pooled cash and investments	\$ 4,465,798	\$ 315,865	\$ 485,394	\$ 194,828
Cash with fiscal agents	-	-	-	-
Receivables:				
Income taxes	1,678,425	-	-	-
Property and other local taxes	393,109	496,099	-	1,166,228
Accounts	397,451	318,696	-	2,361
Payments in lieu of taxes	-	-	-	-
Special assessments	-	-	-	-
Accrued interest	12,412	-	-	-
Due from other governments	347,601	47,561	460,739	98,478
Materials and supplies inventory	-	-	52,091	-
Total assets	<u>\$ 7,294,796</u>	<u>\$ 1,178,221</u>	<u>\$ 998,224</u>	<u>\$ 1,461,895</u>
Liabilities:				
Accounts payable	\$ 146,410	\$ 13,804	\$ 28,939	\$ 13,574
Contracts payable	628,041	-	-	-
Accrued wages payable	28,292	66,851	29,270	128,970
Due to other governments	105,344	56,272	21,071	95,037
Accrued interest payable	1,594	-	-	-
Notes payable	100,000	-	-	-
Total liabilities	<u>1,009,681</u>	<u>136,927</u>	<u>79,280</u>	<u>237,581</u>
Deferred inflows of resources:				
Property taxes and payments in lieu of taxes				
levied for the next fiscal year	301,565	450,823	-	1,082,492
Delinquent property tax revenue not available	78,222	45,276	-	83,736
Accrued interest not available	5,227	-	-	-
Special assessments revenue not available	309,476	-	-	-
Miscellaneous revenue not available	87,658	261,624	-	1,870
Income tax revenue not available	1,326,795	-	-	-
Intergovernmental revenue not available	324,942	47,000	385,454	98,478
Total deferred inflows of resources	<u>2,433,885</u>	<u>804,723</u>	<u>385,454</u>	<u>1,266,576</u>
Fund balances:				
Nonspendable	-	-	52,091	-
Restricted	-	236,571	481,399	-
Committed	-	-	-	-
Assigned	1,187,392	-	-	-
Unassigned (deficit)	2,663,838	-	-	(42,262)
Total fund balances	<u>3,851,230</u>	<u>236,571</u>	<u>533,490</u>	<u>(42,262)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,294,796</u>	<u>\$ 1,178,221</u>	<u>\$ 998,224</u>	<u>\$ 1,461,895</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire/EMS and Police Income Tax	Other Governmental Funds	Total Governmental Funds
\$ 194	\$ 2,727,392	\$ 8,189,471
-	52,080	52,080
839,213	-	2,517,638
-	-	2,055,436
-	-	718,508
-	176,330	176,330
-	27,913	27,913
-	-	12,412
-	184,351	1,138,730
-	-	52,091
<u>\$ 839,407</u>	<u>\$ 3,168,066</u>	<u>\$ 14,940,609</u>
\$ 29,049	\$ 4,195	\$ 235,971
-	66,281	694,322
-	-	253,383
-	9,238	286,962
-	-	1,594
-	-	100,000
<u>29,049</u>	<u>79,714</u>	<u>1,572,232</u>
-	176,330	2,011,210
-	-	207,234
-	-	5,227
-	27,913	337,389
-	-	351,152
663,398	-	1,990,193
-	108,664	964,538
<u>663,398</u>	<u>312,907</u>	<u>5,866,943</u>
-	-	52,091
146,960	1,360,486	2,225,416
-	229	229
-	1,414,730	2,602,122
-	-	2,621,576
<u>146,960</u>	<u>2,775,445</u>	<u>7,501,434</u>
<u>\$ 839,407</u>	<u>\$ 3,168,066</u>	<u>\$ 14,940,609</u>

CITY OF RIVERSIDE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total governmental fund balances		\$ 7,501,434
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,290,295
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,990,193	
Property and other taxes receivable	207,234	
Accounts receivable	351,152	
Intergovernmental receivable	964,538	
Special assessments receivable	337,389	
Accrued interest receivable	<u>5,227</u>	
Total		3,855,733
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(424,295)
Vacation is accrued for leave on the statement of net position, whereas in the funds, vacation leave expenditures are reported when taken.		(124,442)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows of resources are not reported in governmental funds.		
Net pension asset	27,105	
Deferred outflows of resources	1,980,644	
Net pension liability	(10,938,899)	
Deferred inflows of resources	<u>(741,514)</u>	
Total		(9,672,664)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	1,094,069	
Deferred inflows of resources	(218,590)	
Net OPEB liability	<u>(9,807,136)</u>	
Total		(8,931,657)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	608,859	
Capital lease payable	1,552,491	
General obligation bonds payable	639,923	
Loans payable	3,177,658	
Notes payable	<u>4,900,000</u>	
Total		<u>(10,878,931)</u>
Net position of governmental activities		<u>\$ 2,615,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Street/ Public Service</u>	<u>Police</u>
Revenues:				
Income taxes	\$ 4,402,088	\$ -	\$ -	\$ -
Property and other local taxes.	622,941	592,373	-	1,034,672
Charges for services.	51,014	728,355	-	30,898
Licenses and permits	15,292	-	-	-
Fines and forfeitures	-	-	-	8,704
Intergovernmental.	369,456	100,637	914,832	188,450
Special assessments	-	-	-	-
Investment income.	46,659	-	4,633	-
Rental income	716,808	-	-	-
Contributions and donations.	450	20,350	-	600
Payments in lieu of taxes.	-	-	-	-
Other	121,023	86,358	52,496	67,269
Total revenues	<u>6,345,731</u>	<u>1,528,073</u>	<u>971,961</u>	<u>1,330,593</u>
Expenditures:				
Current:				
General government	2,708,016	-	-	-
Security of persons and property	-	2,399,869	-	3,949,913
Public health and welfare.	-	-	-	-
Transportation	-	-	1,759,254	-
Community and economic development.	486,900	-	-	-
Leisure time activity	55,267	-	-	-
Capital outlay	196,292	242,214	258,907	-
Debt service:				
Principal retirement.	5,003,615	148,838	142,315	53,146
Interest and fiscal charges	102,761	24,603	16,939	8,174
Total expenditures	<u>8,552,851</u>	<u>2,815,524</u>	<u>2,177,415</u>	<u>4,011,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,207,120)</u>	<u>(1,287,451)</u>	<u>(1,205,454)</u>	<u>(2,680,640)</u>
Other financing sources (uses):				
Note issuance	4,900,000	-	-	-
Loan issuance.	-	-	-	-
Capital lease transaction.	-	211,819	253,980	-
Transfers in	11	1,103,430	1,102,200	2,679,011
Transfers (out).	(3,457,283)	-	-	-
Total other financing sources (uses)	<u>1,442,728</u>	<u>1,315,249</u>	<u>1,356,180</u>	<u>2,679,011</u>
Net change in fund balances	(764,392)	27,798	150,726	(1,629)
Fund balances (deficit) at beginning of year	<u>4,615,622</u>	<u>208,773</u>	<u>382,764</u>	<u>(40,633)</u>
Fund balances (deficit) at end of year	<u>\$ 3,851,230</u>	<u>\$ 236,571</u>	<u>\$ 533,490</u>	<u>\$ (42,262)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire/EMS and Police Income Tax	Other Governmental Funds	Total Governmental Funds
\$ 1,700,130	\$ -	\$ 6,102,218
-	-	2,249,986
-	-	810,267
-	-	15,292
-	165	8,869
-	759,563	2,332,938
-	118,354	118,354
-	728	52,020
-	6,600	723,408
-	-	21,400
-	146,718	146,718
-	57,361	384,507
<u>1,700,130</u>	<u>1,089,489</u>	<u>12,965,977</u>
-	3,260	2,711,276
66,475	166,247	6,582,504
-	6,585	6,585
-	279,211	2,038,465
-	163,625	650,525
-	-	55,267
-	1,386,639	2,084,052
-	203,405	5,551,319
-	120,645	273,122
<u>66,475</u>	<u>2,329,617</u>	<u>19,953,115</u>
<u>1,633,655</u>	<u>(1,240,128)</u>	<u>(6,987,138)</u>
-	-	4,900,000
-	840,303	840,303
-	-	465,799
-	456,497	5,341,149
(1,599,451)	(284,415)	(5,341,149)
<u>(1,599,451)</u>	<u>1,012,385</u>	<u>6,206,102</u>
34,204	(227,743)	(781,036)
112,756	3,003,188	8,282,470
<u>\$ 146,960</u>	<u>\$ 2,775,445</u>	<u>\$ 7,501,434</u>

CITY OF RIVERSIDE, OHIO

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, 2018

Net change in fund balances - total governmental funds		\$ (781,036)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 2,629,013	
Current year depreciation	<u>(1,317,977)</u>	
Total		1,311,036
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(2,236)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(63,738)	
Property and other taxes	43,164	
Intergovernmental revenues	224,620	
Special assessments	28,273	
Investment income	(643)	
Charges for services	<u>(77,385)</u>	
Total		154,291
Proceeds of notes, loans and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(6,206,102)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		5,551,319
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable		(34,706)
In the statement of activities, vacation leave is accrued when earned whereas in governmental funds, an expenditure is reported when vacation leave is taken.		
		4,284
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		927,639
OPEB		21,461
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(1,524,746)
OPEB		(791,276)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		<u>(9,113)</u>
Change in net position of governmental activities		<u>\$ (1,379,185)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 3,932,895	\$ 3,900,386	\$ 4,333,763	\$ 433,377
Property and other local taxes.	565,557	560,882	623,203	62,321
Charges for services.	46,080	45,699	50,777	5,078
Licenses and permits	13,878	13,763	15,292	1,529
Intergovernmental.	334,860	332,092	368,991	36,899
Investment income.	36,005	35,707	39,674	3,967
Contributions and donations.	408	405	450	45
Other	100,049	99,222	110,247	11,025
Total revenues	<u>5,029,732</u>	<u>4,988,156</u>	<u>5,542,397</u>	<u>554,241</u>
Expenditures:				
Current:				
General government	1,573,890	2,293,105	2,198,462	94,643
Community and economic development.	596,361	607,761	526,744	81,017
Leisure time activity	72,270	68,395	58,422	9,973
Total expenditures	<u>2,242,521</u>	<u>2,969,261</u>	<u>2,783,628</u>	<u>185,633</u>
Excess of revenues over expenditures.	<u>2,787,211</u>	<u>2,018,895</u>	<u>2,758,769</u>	<u>739,874</u>
Other financing sources (uses):				
Advances in.	512,856	508,617	565,130	56,513
Advances (out).	(565,130)	(565,130)	(565,130)	-
Transfers in	98,865	98,048	108,942	10,894
Transfers (out).	(4,076,550)	(3,769,510)	(3,457,283)	312,227
Total other financing sources (uses)	<u>(4,029,959)</u>	<u>(3,727,975)</u>	<u>(3,348,341)</u>	<u>379,634</u>
Net change in fund balances	(1,242,748)	(1,709,080)	(589,572)	1,119,508
Fund balance at beginning of year	3,057,021	3,057,021	3,057,021	-
Prior year encumbrances appropriated	128,336	128,336	128,336	-
Fund balance at end of year	<u>\$ 1,942,609</u>	<u>\$ 1,476,277</u>	<u>\$ 2,595,785</u>	<u>\$ 1,119,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other local taxes	\$ 613,231	\$ 586,784	\$ 592,373	\$ 5,589
Charges for services.	753,392	720,901	727,767	6,866
Intergovernmental.	103,600	99,132	100,076	944
Contributions and donations.	21,067	20,158	20,350	192
Other	89,398	85,543	86,358	815
Total revenues	<u>1,580,688</u>	<u>1,512,518</u>	<u>1,526,924</u>	<u>14,406</u>
Expenditures:				
Current:				
Security of persons and property	2,619,890	2,429,190	2,417,181	12,009
Capital outlay	55,331	95,831	90,399	5,432
Debt service:				
Principal retirement.	92,325	92,325	92,325	-
Interest and fiscal charges	19,635	19,635	19,628	7
Total expenditures	<u>2,787,181</u>	<u>2,636,981</u>	<u>2,619,533</u>	<u>17,448</u>
Excess of expenditures over revenues.	<u>(1,206,493)</u>	<u>(1,124,463)</u>	<u>(1,092,609)</u>	<u>31,854</u>
Other financing sources:				
Transfers in	<u>1,142,282</u>	<u>1,093,019</u>	<u>1,103,430</u>	<u>10,411</u>
Total other financing sources	<u>1,142,282</u>	<u>1,093,019</u>	<u>1,103,430</u>	<u>10,411</u>
Net change in fund balances	(64,211)	(31,444)	10,821	42,265
Fund balance at beginning of year	238,070	238,070	238,070	-
Prior year encumbrances appropriated . . .	39,321	39,321	39,321	-
Fund balance at end of year	<u>\$ 213,180</u>	<u>\$ 245,947</u>	<u>\$ 288,212</u>	<u>\$ 42,265</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET/PUBLIC SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 908,388	\$ 904,841	\$ 908,983	\$ 4,142
Investment income	-	4,612	4,633	21
Other	81,000	47,953	48,172	219
Total revenues	<u>989,388</u>	<u>957,406</u>	<u>961,788</u>	<u>4,382</u>
Expenditures:				
Current:				
Transportation	2,021,884	1,932,198	1,809,546	122,652
Capital outlay	100,000	100,000	100,000	-
Debt service:				
Principal retirement	100,340	100,340	100,340	-
Interest and fiscal charges	10,900	10,900	10,890	10
Total expenditures	<u>2,233,124</u>	<u>2,143,438</u>	<u>2,020,776</u>	<u>122,662</u>
Excess of expenditures over revenues	<u>(1,243,736)</u>	<u>(1,186,032)</u>	<u>(1,058,988)</u>	<u>127,044</u>
Other financing sources:				
Transfers in	1,115,612	1,097,178	1,102,200	5,022
Total other financing sources	<u>1,115,612</u>	<u>1,097,178</u>	<u>1,102,200</u>	<u>5,022</u>
Net change in fund balances	(128,124)	(88,854)	43,212	132,066
Fund balance at beginning of year	249,555	249,555	249,555	-
Prior year encumbrances appropriated . . .	143,669	143,669	143,669	-
Fund balance at end of year	<u>\$ 265,100</u>	<u>\$ 304,370</u>	<u>\$ 436,436</u>	<u>\$ 132,066</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other local taxes	\$ 1,092,656	\$ 1,042,553	\$ 1,034,672	\$ (7,881)
Charges for services	32,677	31,179	30,943	(236)
Fines and forfeitures	9,372	8,942	8,874	(68)
Intergovernmental	199,012	189,886	188,450	(1,436)
Contributions and donations	634	605	600	(5)
Other	71,038	67,781	67,269	(512)
Total revenues	<u>1,405,389</u>	<u>1,340,946</u>	<u>1,330,808</u>	<u>(10,138)</u>
Expenditures:				
Current:				
Security of persons and property	3,957,830	4,002,535	3,948,578	53,957
Capital outlay	50,794	50,794	49,993	801
Total expenditures	<u>4,008,624</u>	<u>4,053,329</u>	<u>3,998,571</u>	<u>54,758</u>
Excess of expenditures over revenues	<u>(2,603,235)</u>	<u>(2,712,383)</u>	<u>(2,667,763)</u>	<u>44,620</u>
Other financing sources:				
Transfers in	2,829,153	2,699,422	2,679,011	(20,411)
Total other financing sources	<u>2,829,153</u>	<u>2,699,422</u>	<u>2,679,011</u>	<u>(20,411)</u>
Net change in fund balances	225,918	(12,961)	11,248	24,209
Fund balance at beginning of year	135,149	135,149	135,149	-
Prior year encumbrances appropriated	36,014	36,014	36,014	-
Fund balance at end of year	<u>\$ 397,081</u>	<u>\$ 158,202</u>	<u>\$ 182,411</u>	<u>\$ 24,209</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE/EMS AND POLICE INCOME TAX
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,683,401	\$ 1,683,401	\$ 1,665,968	\$ (17,433)
Total revenues	<u>1,683,401</u>	<u>1,683,401</u>	<u>1,665,968</u>	<u>(17,433)</u>
Expenditures:				
Current:				
Security of persons and property	50,115	68,115	66,477	1,638
Total expenditures	<u>50,115</u>	<u>68,115</u>	<u>66,477</u>	<u>1,638</u>
Excess of revenues over expenditures.	<u>1,633,286</u>	<u>1,615,286</u>	<u>1,599,491</u>	<u>(15,795)</u>
Other financing uses:				
Transfers (out).	<u>(1,633,285)</u>	<u>(1,633,285)</u>	<u>(1,599,451)</u>	<u>33,834</u>
Total other financing uses	<u>(1,633,285)</u>	<u>(1,633,285)</u>	<u>(1,599,451)</u>	<u>33,834</u>
Net change in fund balances	1	(17,999)	40	18,039
Fund balance at beginning of year	<u>154</u>	<u>154</u>	<u>154</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 155</u>	<u>\$ (17,845)</u>	<u>\$ 194</u>	<u>\$ 18,039</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2018

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	<u>\$ 27,840</u>
Liabilities:	
Undistributed assets	<u>\$ 27,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the City are not misleading.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2018. 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 (the "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 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 member is limited to its representation on the Board. The City contributed \$625 toward the operation of the Council during 2018. 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 property balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial, or research facilities and by creating and preserving job and employment opportunities for the people of the County.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for 8 years, ending December 31, 2019. Any member default in 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 2018. Financial information may be obtained by writing to Erik Collins, Executive Administrator, 451 West Third Street, Dayton, Ohio 45422.

RELATED ORGANIZATION

The Riverside Historical Society

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 protected 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 \$5,795 to the operating of the RHS during 2018.

RISK SHARING POOL

Public Entities Pool of Ohio

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 other 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 2018, the City made premium payments of \$179,937 to PEP. There was no required surplus contribution in 2018.

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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. 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 of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment 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.

C. 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 of the City are typically 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 plus deferred outflows of resources and liabilities and deferred inflows of resources 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 except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 police levy tax proceeds, along with fines generated through safety enforcement within the City.

Fire/EMS and police 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 other 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.

D. 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, current deferred outflows of resources, current liabilities, and current deferred inflows of resources 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. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. 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 and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means 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 are recognized in the year for which the taxes are levied. 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, other local taxes, investment income, and intergovernmental revenues (including motor vehicle license tax, gasoline tax, grants, and local government assistance).

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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. See Notes 16 and 17 for deferred outflows of resources related the City’s net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report 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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

See Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

F. Cash and Cash Equivalents

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

The City has permissive motor vehicle license money, which is held by the Montgomery County Engineer as agent and distributed to the City for approved street projects. The balance in this account is presented on the balance sheet as "cash with fiscal agent".

During the year, investments were limited to federal agency securities, a money market mutual fund, United States Treasury Notes, negotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the City measures its investments at fair value which is based upon quoted market prices.

During 2018, the City invested in STAR Ohio. 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 its 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 NAV per share that approximates fair value.

For 2018, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2018 amounted to \$46,659, which includes \$17,883 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 considered to be cash equivalents.

CITY OF RIVERSIDE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Materials 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.

H. Capital Assets

General capital assets are capital assets that are associated with governmental activities. These assets 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.

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 deletions during the year. Donated capital assets are recorded at their acquisition values on the date received. 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 reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 25 years
Buildings and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Vehicles	5 - 20 years
Infrastructure	10 - 60 years

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

I. Compensated Absences

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

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, claims and judgments 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

K. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. On the governmental fund financial statements bond premiums are recognized in the period in which these items are incurred. 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.

L. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision-making authority). 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 nor 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 2019 appropriations that exceed estimated revenues. 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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Interfund 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Estimates

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

P. 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. The City had no interfund balances outstanding at December 31, 2018.

Q. Fair Value Measurements

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.

R. Budgetary Process

All funds other than agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation 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 appropriation 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 set forth in the financial statements as final budgeted amounts represent estimates from the amended certificate in effect at the time final appropriations were passed by Council.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation 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 appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the revised budgeted amounts represent the final appropriation amounts passed by Council during the year, including all supplemental appropriations.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

T. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 17 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 12,156,500
Deferred outflows - payments subsequent to measurement date	34,519
Net OPEB liability	(8,196,361)
Restated net position at January 1, 2018	\$ 3,994,658

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Police	\$ 42,262

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have not been met;
7. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
8. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio).

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. In accordance with Ohio Revised Code, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. The City's investment policy limits security purchases to those that mature within five years of the settlement date. 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agent

At year end, the City had \$52,080 on deposit with the Montgomery County Treasurer. The data regarding insurance and collateralization can be obtained from the Montgomery County Comprehensive Annual Financial Report for the year ended December 31, 2018. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$5,313,623 and the bank balance of all City deposits was \$5,416,846. Of the bank balance, \$5,166,846 was covered by the Ohio Pooled Collateral System (OPCS) and \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the City's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2018, the City had the following investments:

Measurement/ Investment type	Measurement Value	Investment Maturities		
		6 months or less	7 to 12 months	13 to 18 months
<i>Fair value:</i>				
FNMA	\$ 707,643	\$ 573,922	\$ 133,721	\$ -
FHLMC	408,058	184,976	223,082	-
FHLB	875,908	588,264	287,644	-
U.S. Treasury Notes	478,483	419,057	59,426	-
Negotiable CDs	297,183	199,444	-	97,739
U.S. Government money market mutual fund	5,329	5,329	-	-
<i>Amortized cost:</i>				
STAR Ohio	128,384	128,384	-	-
Total	<u>\$ 2,900,988</u>	<u>\$ 2,099,376</u>	<u>\$ 703,873</u>	<u>\$ 97,739</u>

The weighted average of maturity of investments is 0.39 years.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The City’s investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The City’s investments in federal agency securities (FHLB, FHLMC, FNMA), U.S. Treasury Notes and negotiable certificates of deposit are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (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 STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The City’s investments in federal agency securities and U.S. treasury notes were both rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio and the U.S. Government money market mutual fund an AAAM money market rating. The City’s investment in negotiable CDs were not rated as these amounts were covered by the FDIC. The City limits its investments to those authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the City’s name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any single issuer. The following table includes the percentage of each investment type held by the City at December 31, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Fair value:</i>		
FNMA	\$ 707,643	24.39
FHLMC	408,058	14.07
FHLB	875,908	30.20
U.S. Treasury Notes	478,483	16.49
Negotiable CDs	297,183	10.24
U.S. Government money market mutual fund	5,329	0.18
<i>Amortized cost:</i>		
STAR Ohio	<u>128,384</u>	<u>4.43</u>
Total	<u>\$ 2,900,988</u>	<u>100.00</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,313,623
Investments	2,900,988
Cash with fiscal agent	52,080
Cash on hand	<u>2,700</u>
Total	<u>\$ 8,269,391</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,241,551
Agency fund	<u>27,840</u>
Total	<u>\$ 8,269,391</u>

NOTE 5 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent on all income earned within the City, as well as on incomes of residents earned outside the City. 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 2018, the proceeds were allocated to the general fund and the fire/EMS and police income tax special revenue fund.

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported on the fund financial statements.

<u>Transfers from:</u>	<u>Transfers to:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street/Public Service Fund</u>	<u>Police Fund</u>	<u>Nonmajor Governmental Funds</u>	
General fund	\$ -	\$ 463,650	\$ 1,102,200	\$ 1,719,340	\$ 172,093	\$ 3,457,283
Fire/EMS and police income tax	-	639,780	-	959,671	-	1,599,451
Nonmajor governmental	<u>11</u>	-	-	-	<u>284,404</u>	<u>284,415</u>
Total	<u>\$ 11</u>	<u>\$ 1,103,430</u>	<u>\$ 1,102,200</u>	<u>\$ 2,679,011</u>	<u>\$ 456,497</u>	<u>\$ 5,341,149</u>

Transfers from the general fund were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from the fire/EMS and police income tax fund to the fire fund and the police fund were made for operating purposes. Transfers from the nonmajor governmental funds to the general fund were residual fund transfers. Transfers from the permissive tax fund (a nonmajor governmental fund) of \$284,404 to nonmajor governmental funds were to fund various road projects. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were compliant with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2018 was \$11.34 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2018 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 202,079,810
Commercial/industrial/public utility	45,234,000
<u>Public utility</u>	
Personal	<u>6,416,150</u>
Total assessed value	<u>\$ 253,729,960</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - TAX ABATEMENTS

As of December 31, 2018, Montgomery County provides tax abatements through Enterprise Zone Tax Exemptions.

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

The amount of the City's property tax abated totaled \$1,960 for 2018.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, consisted of property taxes, revenue in lieu of taxes, other local taxes, municipal income taxes, accounts, accrued interest, special assessments and amounts due from other governments arising from grants, entitlements or shared revenues.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities:</u>	<u>Amount</u>
Local government	\$ 138,869
Accounts	155,606
Grants	152,122
Homestead and rollback	185,600
Auto license	83,302
Gasoline tax	410,120
Permissive motor vehicle license tax	<u>13,111</u>
Total due from other governments	<u>\$ 1,138,730</u>

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, revenue in lieu of taxes and income 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 \$27,913 and represents delinquents at December 31, 2018.

Revenue in lieu of taxes

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 benefitting the owners. The City accrues a receivable for amounts measurable at December 31, 2018, with a corresponding credit to deferred inflows of resources.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/17</u>	Additions	Disposals	Balance <u>12/31/18</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,186,949	\$ -	\$ -	\$ 3,186,949
Construction in progress	<u>393,329</u>	<u>1,254,545</u>	<u>(441,709)</u>	<u>1,206,165</u>
Total capital assets, not being depreciated	<u>3,580,278</u>	<u>1,254,545</u>	<u>(441,709)</u>	<u>4,393,114</u>
<i>Capital assets being depreciated:</i>				
Land improvements	979,081	-	-	979,081
Buildings and improvements	5,542,974	29,980	-	5,572,954
Machinery and equipment	4,297,839	80,153	-	4,377,992
Vehicles	4,803,309	447,701	(639,156)	4,611,854
Infrastructure	<u>11,083,013</u>	<u>1,258,343</u>	<u>-</u>	<u>12,341,356</u>
Total capital assets being depreciated	<u>26,706,216</u>	<u>1,816,177</u>	<u>(639,156)</u>	<u>27,883,237</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(297,485)	(47,674)	-	(345,159)
Buildings and improvements	(1,286,464)	(152,947)	-	(1,439,411)
Machinery and equipment	(2,706,562)	(216,561)	-	(2,923,123)
Vehicles	(2,811,245)	(388,667)	636,920	(2,562,992)
Infrastructure	<u>(3,203,243)</u>	<u>(512,128)</u>	<u>-</u>	<u>(3,715,371)</u>
Total accumulated depreciation	<u>(10,304,999)</u>	<u>(1,317,977)</u>	<u>636,920</u>	<u>(10,986,056)</u>
Total capital assets being depreciated, net	<u>16,401,217</u>	<u>498,200</u>	<u>(2,236)</u>	<u>16,897,181</u>
Governmental activities capital assets, net	<u>\$ 19,981,495</u>	<u>\$ 1,752,745</u>	<u>\$ (443,945)</u>	<u>\$ 21,290,295</u>

Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 191,620
Security of persons and property	388,419
Public health and welfare	158
Leisure time activities	29,561
Community and economic development	64
Transportation	<u>708,155</u>
Total depreciation expense	<u>\$ 1,317,977</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - LEASES

A. Capital

In 2018, the City entered into a lease agreement with Phoenix Safety Outfitters for turnout gear. The original amount of the lease was \$54,325 and will be paid from the fire fund.

In 2018, the City entered into a lease agreement with Ford Motor Credit for a Ford E450 truck. The original amount of the lease was \$157,494 and will be paid from the fire fund.

In 2018, the City entered into a lease agreement with Republic First National Corporation for a street sweeper truck. The original amount of the lease was \$253,980 and will be paid from the street/public service fund.

In 2017, the City entered into a lease agreement with Mercedes-Benz Financial Services for a Freightliner truck. The original amount of the lease was \$107,891 and will be paid from the street/public service fund.

In 2017, the City entered into a lease agreement with Ford Motor Credit for three police interceptors. The original amount of the interceptor lease was \$117,793 and will be paid from the police fund.

In 2017, the City entered into a lease agreement with Axon Enterprise, Inc. for Tasers. The original amount of the Taser lease was \$39,630 and will be paid from the police fund. The acquired equipment associated with this lease was not capitalized on the City's capital assets because the individual Tasers were less than the City's capitalization threshold of \$1,000.

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 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/public service 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, street/public service, fire and police funds.

Each lease meets the criteria of a capital lease as defined by generally accepted accounting principles. 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 \$2,346,386 which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2018 totaled \$350,232.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - LEASES - (Continued)

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Book Value 12/31/2018</u>
Asset class:			
Buildings	\$ 56,742	\$ (4,965)	\$ 51,777
Machinery and equipment	94,286	(13,919)	80,367
Vehicles	<u>2,195,358</u>	<u>(537,260)</u>	<u>1,658,098</u>
Total	<u>\$ 2,346,386</u>	<u>\$ (556,144)</u>	<u>\$ 1,790,242</u>

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, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 401,306
2020	382,164
2021	279,157
2022	211,193
2023	163,758
2024 - 2028	247,516
2029	<u>2,361</u>
Total minimum lease payments	1,687,455
Less: amount representing interest	<u>(134,964)</u>
Present value of future minimum lease payments	<u>\$ 1,552,491</u>

B. 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 2018 were \$64,350.

The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 64,350
2020	64,350
2021	64,350
2022	64,350
2023	64,350
2024 - 2028	321,750
2029	<u>32,175</u>
Total	<u>\$ 675,675</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS

During 2018, the following changes occurred in the City's long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

	Interest Rate	Restated Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due Within One Year
<u>Governmental activities:</u>						
<u>Loans:</u>						
OWDA loan	3.25%	\$ 16,122	\$ -	\$ (1,064)	\$ 15,058	\$ 1,099
OPWC Burkhardt Road	0.00%	187,048	-	(62,349)	124,699	62,350
OPWC Harshman Road Phase II	0.00%	172,000	-	(8,000)	164,000	8,000
OPWC Union Schoolhouse Road	0.00%	-	59,618	(1,490)	58,128	2,981
Brantwood Division TIF loan	5.00%	1,335,367	403,724	(27,974)	1,711,117	-
Brantwood Division II TIF loan	5.00%	748,847	376,961	(21,152)	1,104,656	-
Total loans		<u>2,459,384</u>	<u>840,303</u>	<u>(122,029)</u>	<u>3,177,658</u>	<u>74,430</u>
<u>General obligation bonds:</u>						
Various purpose - series 2010	3.60%	718,981	-	(79,058)	639,923	81,929
<u>Bond anticipation notes:</u>						
2018 property acquisition	2.25%	-	4,900,000	-	4,900,000	-
2017 property acquisition	1.99%	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>
Total bond anticipation notes		<u>5,000,000</u>	<u>4,900,000</u>	<u>(5,000,000)</u>	<u>4,900,000</u>	<u>-</u>
<u>Other long-term liabilities:</u>						
Capital lease obligation		1,436,924	465,799	(350,232)	1,552,491	355,228
Net pension liability		11,727,986	-	(789,087)	10,938,899	-
Net OPEB liability		8,196,361	1,610,775	-	9,807,136	-
Compensated absences		<u>599,746</u>	<u>56,915</u>	<u>(47,802)</u>	<u>608,859</u>	<u>125,904</u>
Total other long-term liabilities		<u>21,961,017</u>	<u>2,133,489</u>	<u>(1,187,121)</u>	<u>22,907,385</u>	<u>481,132</u>
Total governmental activities long-term liabilities		<u>\$ 30,139,382</u>	<u>\$ 7,873,792</u>	<u>\$(6,388,208)</u>	<u>\$ 31,624,966</u>	<u>\$ 637,491</u>

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 consists of money owed to the OWDA 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 service fund.

On December 21, 2012, the City entered into a tax increment financing (TIF) and infrastructure development agreement with Disciple Development Company, LLC to fund the construction of public infrastructure improvement in the Brantwood division. The initial loan was received in 2013. During 2018, the City received an additional loan of \$403,724. Per the agreement, the City will make payments on the loan based on the TIF monies received from the Brantwood division development, and the repayment schedule will depend upon the amount of TIF monies received by the City. The loan will be repaid from the Brantwood Subdivision fund.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

On February 5, 2016, the City entered into a tax increment financing (TIF) and infrastructure development agreement with Brantwood Development, LLC to fund the construction of public infrastructure improvement in the Brantwood division II. The initial loan was received in 2016. During 2018, the City received an additional loan of \$376,961. Per the agreement, the City will make payments on the loan based on TIF monies received from the Brantwood division II development, and the repayment schedule will depend upon the amount of TIF monies received by the City. The loan will be repaid from the Brantwood II Subdivision fund.

The 2017 property acquisition bond anticipation note was issued on April 12, 2017 in the amount of \$5,300,000 for acquisition and improvements of properties and buildings. This note matured on April 19, 2018. This note was refinanced on March 15, 2018 for \$5,000,000. The note matures on March 14, 2019. On March 14, 2019, the City refinanced the \$5,000,000 bond anticipation note with a \$4,900,000 bond anticipation note, see Note 22. \$543,340 of the note proceeds remain unspent at December 31, 2018.

During 2014, the City received a loan in the amount of \$200,000 from the Ohio Public Works Commission (OPWC) 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 (OPWC) 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.

During 2018, the City received a loan in the amount of \$59,618 from OPWC for the Union Schoolhouse Road Rehab project. The loan was issued at a zero percent interest rate and will mature on July 1, 2038. The loan will be repaid from the Issue II- Union Schoolhouse 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.

For additional information regarding the City's net pension liability and net OPEB liability, see Notes 16 and 17, respectively. The City pays obligations related to employee compensation from the fund benefitting from their service.

The City's overall legal debt margin was \$22,282,250, with an unvoted debt margin of \$9,595,752 at December 31, 2018.

Annual debt service requirements to maturity for long-term obligations are:

Year Ending December 31,	General		OWDA Loan		OPWC Loans
	Obligation Bonds Principal	Interest	Principal	Interest	Principal
2019	\$ 81,929	\$ 22,306	\$ 1,099	\$ 444	\$ 73,331
2020	557,994	19,331	1,135	410	73,330
2021	-	-	1,172	376	10,981
2022	-	-	1,211	340	10,981
2023	-	-	1,251	304	10,981
2024 - 2028	-	-	6,895	927	54,904
2029 - 2033	-	-	2,295	69	54,905
2034 - 2038	-	-	-	-	53,414
2039	-	-	-	-	4,000
Totals	<u>\$ 639,923</u>	<u>\$ 41,637</u>	<u>\$ 15,058</u>	<u>\$ 2,870</u>	<u>\$ 346,827</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - NOTES PAYABLE

On April 12, 2017, the City issued \$5,300,000 in bond anticipation notes to refinance \$5,400,000 of bond anticipation notes that were previously issued in 2016. The bond anticipation notes outstanding at December 31, 2017 had an interest at a rate of 1.99% and matured on April 19, 2018. On March 15, 2018, the City issued \$5,000,000 in bond anticipation notes to refinance the 2017 bond anticipation notes. The bond anticipation notes outstanding at December 31, 2018 bear an interest rate of 2.25% and mature on March 14, 2019. The bond anticipation notes are a liability of the general fund. On March 14, 2019, the City refinanced the \$5,000,000 bond anticipation note with a \$4,900,000 bond anticipation note, see Note 22.

A summary of the bond anticipation note transaction for the year ended December 31, 2018 follows:

	Maturity Date	Outstanding 1/1/2018	Issued	Retired	Outstanding 12/31/2018
<u>Governmental activities:</u>					
Bond anticipation notes:					
Series 2017 BAN - 1.99%	4/19/2018	\$ 300,000	\$ -	\$ (300,000)	\$ -
Series 2018 BAN - 2.25%	3/14/2019	-	100,000	-	100,000
Total bond anticipation notes		<u>\$ 300,000</u>	<u>\$ 100,000</u>	<u>\$ (300,000)</u>	<u>\$ 100,000</u>

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

Vacation leave is earned at rates which 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 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - EMPLOYEE BENEFITS - (Continued)

B. Insurance Benefits

Full-time City employees are provided medical/surgical benefits from Anthem Blue Cross Blue Shield. The City pays 90 percent for non-union employees and 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; 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.

C. Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan, Ohio Municipal League 457 Deferred Compensation Plan, International City Manager Association 457 Deferred Compensation Plan, or the Ohio Association of Professional Fire Fighters 457 Deferred Compensation Plan. These plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permits 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 - RISK MANAGEMENT

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

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - RISK MANAGEMENT - (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2018 and 2017:

<u>Casualty & Property Coverage</u>	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	<u>(14,676,199)</u>	<u>(13,004,011)</u>
Net Position	<u>\$35,245,799</u>	<u>\$31,448,315</u>

At December 31, 2018 and 2017, respectively, the liabilities above include approximately \$13 million and \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million and \$11.2 million of unpaid claims to be billed. PEP's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the City's share of these unpaid claims collectible in future years is approximately \$113,000.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2017	\$177,572
2018	\$179,937

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability/asset 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/asset 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.

The 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 any net pension liability/asset 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.

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 Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 3.00% 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 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
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 for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$188,997 for 2018. Of this amount, \$27,792 is reported as due to other governments.

Plan Description - Ohio Police & 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 OPF 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 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 \$738,642 for 2018. Of this amount, \$82,831 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017 and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.00988000%	0.02543800%	0.02299500%	0.14974100%	
Proportion of the net pension liability/asset current measurement date	<u>0.00970400%</u>	<u>0.01948600%</u>	<u>0.01657500%</u>	<u>0.15342700%</u>	
Change in proportionate share	<u>-0.00017600%</u>	<u>-0.00595200%</u>	<u>-0.00642000%</u>	<u>0.00368600%</u>	
Proportionate share of the net pension liability	\$ 1,522,369	\$ -	\$ -	\$ 9,416,530	\$ 10,938,899
Proportionate share of the net pension asset	-	(26,527)	(578)	-	(27,105)
Pension expense	324,237	4,282	(188)	1,196,415	1,524,746

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 1,555	\$ -	\$ 1,127	\$ 142,902	\$ 145,584
Changes of assumptions	181,933	2,318	69	410,325	594,645
Changes in employer's proportionate percentage/difference between employer contributions	144	-	-	312,632	312,776
City contributions subsequent to the measurement date	170,332	9,918	8,747	738,642	927,639
Total deferred outflows of resources	<u>\$ 353,964</u>	<u>\$ 12,236</u>	<u>\$ 9,943</u>	<u>\$ 1,604,501</u>	<u>\$ 1,980,644</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 30,002	\$ 7,904	\$ -	\$ 17,035	\$ 54,941
Net difference between projected and actual earnings on pension plan investments	326,831	4,185	161	325,740	656,917
Changes in employer's proportionate percentage/ difference between employer contributions	29,656	-	-	-	29,656
Total deferred inflows of resources	<u>\$ 386,489</u>	<u>\$ 12,089</u>	<u>\$ 161</u>	<u>\$ 342,775</u>	<u>\$ 741,514</u>

\$927,639 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/asset in the year ending December 31, 2019.

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 - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2019	\$ 117,583	\$ (1,331)	\$ 128	\$ 310,850	\$ 427,230
2020	(42,219)	(1,445)	124	225,212	181,672
2021	(143,917)	(2,383)	105	(112,173)	(258,368)
2022	(134,304)	(2,282)	106	(74,188)	(210,668)
2023	-	(814)	156	139,991	139,333
Thereafter	-	(1,516)	416	33,392	32,292
Total	<u>\$ (202,857)</u>	<u>\$ (9,771)</u>	<u>\$ 1,035</u>	<u>\$ 523,084</u>	<u>\$ 311,491</u>

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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 2017 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 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan 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 City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,703,340	\$ 1,522,369	\$ 537,796
Combined Plan	(14,420)	(26,527)	(34,880)
Member-Directed Plan	(332)	(578)	(829)

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% 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 for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

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 and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. 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 average 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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 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	- %		
Domestic Equity	16.00	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation			
Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include 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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.00%. A discount rate of 8.25% was used in the prior measurement period. 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 8.00%. 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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) 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	\$ 13,053,749	\$ 9,416,530	\$ 6,450,005

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 75. 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. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$3,499 for 2018. Of this amount, \$515 is reported as due to other governments.

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

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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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. 75.

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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

The City's contractually required contribution to OP&F was \$17,962 for 2018. Of this amount, \$2,014 is reported as due to other governments.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01077700%	0.14974100%	
Proportion of the net OPEB liability current measurement date	<u>0.01026000%</u>	<u>0.15342700%</u>	
Change in proportionate share	<u>-0.00051700%</u>	<u>0.00368600%</u>	
Proportionate share of the net OPEB liability	\$ 1,114,160	\$ 8,692,976	\$ 9,807,136
OPEB expense	78,515	712,761	791,276

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 868	\$ -	\$ 868
Changes of assumptions	81,123	848,248	929,371
Changes in employer's proportionate percentage/ difference between employer contributions	-	142,369	142,369
City contributions subsequent to the measurement date	3,499	17,962	21,461
Total deferred outflows of resources	<u>\$ 85,490</u>	<u>\$ 1,008,579</u>	<u>\$ 1,094,069</u>

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 43,843	\$ 43,843
Net difference between projected and actual earnings on pension plan investments	82,998	57,221	140,219
Changes in employer's proportionate percentage/ difference between employer contributions	34,528	-	34,528
Total deferred inflows of resources	<u>\$ 117,526</u>	<u>\$ 101,064</u>	<u>\$ 218,590</u>

\$21,461 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ 1,943	\$ 124,112	\$ 126,055
2020	1,943	124,112	126,055
2021	(18,670)	124,112	105,442
2022	(20,751)	124,112	103,361
2023	-	138,416	138,416
Thereafter	-	254,689	254,689
Total	<u>\$ (35,535)</u>	<u>\$ 889,553</u>	<u>\$ 854,018</u>

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.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$ 1,480,210	\$ 1,114,160	\$ 818,030

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,066,014	\$ 1,114,160	\$ 1,163,894

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB 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 expected. 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, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

*levered 2x

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 OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 10,866,303	\$ 8,692,976	\$ 7,020,666

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 6,752,847	\$ 8,692,976	\$ 11,307,573

NOTE 18 - CONTINGENCIES

A. Litigation

The City is party to legal proceedings. The City is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2018, to December 31, 2018, 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 not have a material impact on the financial statements.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 19 - 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 and disbursements. The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	General	Fire	Street/Public Service	Police	Fire/EMS and Police Income Tax
Budget basis	\$ (589,572)	\$ 10,821	\$ 43,212	\$ 11,248	\$ 40
Net adjustment for revenue accruals	75,750	1,149	10,173	(215)	34,162
Net adjustment for expenditure accruals	(593,966)	(223,644)	(205,597)	(25,079)	2
Net adjustment for other sources/uses	-	211,819	253,980	-	-
Funds budgeted elsewhere	(450,969)	-	-	-	-
Adjustment for encumbrances	<u>794,365</u>	<u>27,653</u>	<u>48,958</u>	<u>12,417</u>	<u>-</u>
GAAP basis	<u>\$ (764,392)</u>	<u>\$ 27,798</u>	<u>\$ 150,726</u>	<u>\$ (1,629)</u>	<u>\$ 34,204</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Wright Point fund, the Danis land acquisition fund and DAP building fund.

CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 20 - FUND BALANCE

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

Fund balance	General	Fire	Street/Public Service	Police
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 52,091	\$ -
Total nonspendable	-	-	52,091	-
Restricted:				
Safety forces	-	236,571	-	-
Transportation services	-	-	481,399	-
Center of Flight program	-	-	-	-
Street lighting	-	-	-	-
Drug law	-	-	-	-
Cemetery purposes	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Total restricted	-	236,571	481,399	-
Committed:				
Transportation services	-	-	-	-
Total committed	-	-	-	-
Assigned:				
Purchases on order	132,905	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Subsequent year appropriations	1,054,487	-	-	-
Total assigned	1,187,392	-	-	-
Unassigned (deficit)	2,663,838	-	-	(42,262)
Total fund balances	<u>\$ 3,851,230</u>	<u>\$ 236,571</u>	<u>\$ 533,490</u>	<u>\$ (42,262)</u>

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CITY OF RIVERSIDE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 20 - FUND BALANCE - (Continued)

Fund balance	Fire/EMS and Police Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ -	\$ -	\$ 52,091
Total nonspendable	-	-	52,091
Restricted:			
Safety forces	146,960	28,238	411,769
Transportation services	-	752,952	1,234,351
Center of Flight program	-	231,082	231,082
Street lighting	-	192,478	192,478
Drug law	-	2,883	2,883
Cemetery purposes	-	4,882	4,882
Community development	-	32,369	32,369
Capital improvements	-	115,602	115,602
Total restricted	146,960	1,360,486	2,225,416
Committed:			
Transportation services	-	229	229
Total committed	-	229	229
Assigned:			
Purchases on order	-	-	132,905
Capital improvements	-	134,203	134,203
Debt service	-	1,280,527	1,280,527
Subsequent year appropriations	-	-	1,054,487
Total assigned	-	1,414,730	2,602,122
Unassigned (deficit)	-	-	2,621,576
Total fund balances	\$ 146,960	\$ 2,775,445	\$ 7,501,434

NOTE 21 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances (less those included in payables) in the governmental funds were as follows:

Fund	Year-End Encumbrances
General fund	\$ 195,683
Fire fund	14,479
Street/Service fund	26,948
Police fund	4,356
Nonmajor governmental funds	5,615
Total	\$ 247,081

CITY OF RIVERSIDE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 22 - SUBSEQUENT EVENT

On March 14, 2019, the City issued \$4,900,000 in bond anticipation notes. The proceeds of the notes were used to retire the 2018 notes. The notes bear an interest rate of 2.70%. The bond anticipation notes mature on March 12, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.009704%	0.009880%	0.010230%	0.010207%	0.010207%
City's proportionate share of the net pension liability	\$ 1,522,369	\$ 2,243,580	\$ 1,771,965	\$ 1,231,016	\$ 1,203,213
City's covered payroll	\$ 1,287,969	\$ 1,277,675	\$ 1,272,350	\$ 1,252,892	\$ 1,164,023
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.20%	175.60%	139.27%	98.25%	103.37%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>					
City's proportion of the net pension asset	0.019486%	0.025438%	n/a	n/a	n/a
City's proportionate share of the net pension asset	\$ 26,527	\$ 14,158	n/a	n/a	n/a
City's covered payroll	\$ 79,800	\$ 99,017	n/a	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	n/a	n/a	n/a
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.016575%	0.022995%	n/a	n/a	n/a
City's proportionate share of the net pension asset	\$ 578	\$ 96	n/a	n/a	n/a
City's covered payroll	\$ 90,840	\$ 99,475	n/a	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.10%	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	n/a	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.15342700%	0.14974100%	0.14821900%	0.14421990%	0.14421990%
City's proportionate share of the net pension liability	\$ 9,416,530	\$ 9,484,406	\$ 9,535,032	\$ 7,471,192	\$ 7,023,962
City's covered payroll	\$ 3,441,383	\$ 3,148,566	\$ 3,071,613	\$ 2,928,529	\$ 2,551,425
City's proportionate share of the net pension liability as a percentage of its covered payroll	273.63%	301.23%	310.42%	255.12%	275.30%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 170,332	\$ 167,436	\$ 153,321	\$ 152,682
Contributions in relation to the contractually required contribution	<u>(170,332)</u>	<u>(167,436)</u>	<u>(153,321)</u>	<u>(152,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,216,657	\$ 1,287,969	\$ 1,277,675	\$ 1,272,350
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
 <i>Combined Plan:</i>				
Contractually required contribution	\$ 9,918	\$ 10,374	\$ 11,882	
Contributions in relation to the contractually required contribution	<u>(9,918)</u>	<u>(10,374)</u>	<u>(11,882)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 70,843	\$ 79,800	\$ 99,017	
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	
 <i>Member Directed Plan:</i>				
Contractually required contribution	\$ 8,747	\$ 9,084	\$ 11,937	
Contributions in relation to the contractually required contribution	<u>(8,747)</u>	<u>(9,084)</u>	<u>(11,937)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 87,470	\$ 90,840	\$ 99,475	
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note: Information prior to 2016 for the Combined Plan was unavailable.

Note: Information prior to 2016 for the Member Directed Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>
\$ 150,347	\$ 151,323
<u>(150,347)</u>	<u>(151,323)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,252,892	\$ 1,164,023
12.00%	13.00%

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 445,614	\$ 417,734	\$ 390,585	\$ 377,919
Contributions in relation to the contractually required contribution	<u>(445,614)</u>	<u>(417,734)</u>	<u>(390,585)</u>	<u>(377,919)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,345,337	\$ 2,198,600	\$ 2,055,711	\$ 1,989,047
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 293,028	\$ 292,054	\$ 256,821	\$ 254,403
Contributions in relation to the contractually required contribution	<u>(293,028)</u>	<u>(292,054)</u>	<u>(256,821)</u>	<u>(254,403)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,246,928	\$ 1,242,783	\$ 1,092,855	\$ 1,082,566
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 357,425	\$ 263,511	\$ 220,106	\$ 246,712	\$ 250,128	\$ 231,948
<u>(357,425)</u>	<u>(263,511)</u>	<u>(220,106)</u>	<u>(246,712)</u>	<u>(250,128)</u>	<u>(231,948)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,881,184	\$ 1,659,041	\$ 1,726,322	\$ 1,934,996	\$ 1,961,788	\$ 1,819,200
19.00%	15.88%	12.75%	12.75%	12.75%	12.75%
\$ 246,126	\$ 181,797	\$ 157,275	\$ 154,739	\$ 152,894	\$ 172,317
<u>(246,126)</u>	<u>(181,797)</u>	<u>(157,275)</u>	<u>(154,739)</u>	<u>(152,894)</u>	<u>(172,317)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,047,345	\$ 891,890	\$ 911,739	\$ 897,038	\$ 886,342	\$ 998,939
23.50%	20.38%	17.25%	17.25%	17.25%	17.25%

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.010260%	0.010777%
City's proportionate share of the net OPEB liability	\$ 1,114,160	\$ 1,088,492
City's covered payroll	\$ 1,458,609	\$ 1,476,167
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.39%	73.74%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.15342700%	0.14974100%
City's proportionate share of the net OPEB liability	\$ 8,692,976	\$ 7,107,869
City's covered payroll	\$ 3,441,383	\$ 3,148,566
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	252.60%	225.75%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,499	\$ 17,312	\$ 29,907	\$ 59,818
Contributions in relation to the contractually required contribution	<u>(3,499)</u>	<u>(17,312)</u>	<u>(29,907)</u>	<u>(59,818)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,374,970	\$ 1,458,609	\$ 1,476,167	\$ 1,272,350
Contributions as a percentage of covered payroll	0.25%	1.19%	2.03%	4.70%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note: Information prior to 2016 for the Combined Plan was unavailable.

Note: Information prior to 2016 for the Member Directed Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>
\$ 37,490	\$ 62,447
<u>(37,490)</u>	<u>(62,447)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,252,892	\$ 1,164,023
2.99%	5.36%

CITY OF RIVERSIDE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 11,727	\$ 10,993	\$ 10,279	\$ 9,945
Contributions in relation to the contractually required contribution	<u>(11,727)</u>	<u>(10,993)</u>	<u>(10,279)</u>	<u>(9,945)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,345,337	\$ 2,198,600	\$ 2,055,711	\$ 1,989,047
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 6,235	\$ 6,214	\$ 15,743	\$ 15,358
Contributions in relation to the contractually required contribution	<u>(6,235)</u>	<u>(6,214)</u>	<u>(15,743)</u>	<u>(15,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,246,928	\$ 1,242,783	\$ 1,092,855	\$ 1,082,566
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 9,405	\$ 106,829	\$ 116,527	\$ 130,612	\$ 132,421	\$ 122,796
<u>(9,405)</u>	<u>(106,829)</u>	<u>(116,527)</u>	<u>(130,612)</u>	<u>(132,421)</u>	<u>(122,796)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,881,184	\$ 1,659,041	\$ 1,726,322	\$ 1,934,996	\$ 1,961,788	\$ 1,819,200
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
\$ 14,643	\$ 58,020	\$ 61,542	\$ 60,550	\$ 59,828	\$ 62,827
<u>(14,643)</u>	<u>(58,020)</u>	<u>(61,542)</u>	<u>(60,550)</u>	<u>(59,828)</u>	<u>(62,827)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,047,345	\$ 891,890	\$ 911,739	\$ 897,038	\$ 886,342	\$ 998,939
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

CITY OF RIVERSIDE, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25%, (e) payroll growth was reduced from 3.75% to 3.25% and (f) the discount rate (interest rate) was reduced from 3.79% to 3.24%.



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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 Members of Council and Mayor:

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, 2018, 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 24, 2019, wherein we noted as discussed in Note 3, the City of Riverside adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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's 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.

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 report is not suitable for any other purpose.



Julian & Grube
June 24, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 13, 2019**