

City of Riverside

Montgomery County

January 1, 2008 through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

---

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Riverside, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 22, 2009

**This Page is Intentionally Left Blank.**

**City of Riverside**  
*Table of Contents*  
*For the Year Ended December 31, 2008*

---

| <u>TITLE</u>                                                                                                                                           | <u>PAGE</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor’s Report.....                                                                                                                      | 1           |
| Management’s Discussion and Analysis .....                                                                                                             | 3           |
| Basic Financial Statements:                                                                                                                            |             |
| Government-Wide Financial Statements:                                                                                                                  |             |
| Statement of Net Assets .....                                                                                                                          | 11          |
| Statement of Activities.....                                                                                                                           | 12          |
| Fund Financial Statements:                                                                                                                             |             |
| Balance Sheet – Governmental Funds .....                                                                                                               | 13          |
| Reconciliation of Total Governmental Fund Balances To Net<br>Assets of Governmental Activities .....                                                   | 15          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds .....                                                        | 17          |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances of<br>Governmental Funds to the Statement of Activities..... | 19          |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balance – Budget (Non-GAAP Basis) and<br>Actual – General Fund .....                       | 20          |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balance – Budget (Non-GAAP Basis) and<br>Actual – Fire Fund .....                          | 21          |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balance – Budget (Non-GAAP Basis) and<br>Actual – Street / Public Service Fund .....       | 22          |

|                                                                                                                                                                                                                 |    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balance – Budget (Non-GAAP Basis) and<br>Actual – Police Fund.....                                                                                  | 23 |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balance – Budget (Non-GAAP Basis) and<br>Actual – DAP Facility Fund.....                                                                            | 24 |
| Notes to the Basic Financial Statements.....                                                                                                                                                                    | 25 |
| Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based On an Audit of Financial<br>Statements Performed in Accordance With <i>Government Auditing Standards</i> ..... | 59 |
| Schedule of Prior Audit Findings.....                                                                                                                                                                           | 61 |



## Independent Auditor's Report

City of Riverside  
Montgomery County, Ohio  
1791 Harshman Road  
Riverside, Ohio 45424-5017

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2008, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, Fire, Police, Street/Public Service and DAP Facility Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

City Council  
City of Riverside  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
July 31, 2009

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

The discussion and analysis of the City of Riverside's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

The City's total net assets decreased \$435,785 from 2007.

General revenues of governmental activities for the year were \$7,240,922. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,851,433 of total revenues of \$11,092,355.

The City had \$11,528,140 in expenses related to governmental activities; \$3,851,433 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily income taxes) of \$7,240,922 were not adequate to provide for these programs.

**Using This Annual Financial Report**

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

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

**Reporting the City as a Whole**

One of the most important questions asked about the City is "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

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

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

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

## **Reporting the City's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City uses many funds to account for a multitude of financial transactions. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City's major funds are the General Fund, the Fire Fund, the Street / Public Service Fund, the Police Fund, and the DAP Facility Fund.

### *Governmental Funds*

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

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

*Fiduciary Funds*

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

**The City as a Whole**

As stated previously, the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2008.

Table 1  
Net Assets

|                                    | <u>Governmental Activities</u> |                     | Increase<br>(Decrease) |
|------------------------------------|--------------------------------|---------------------|------------------------|
|                                    | <u>2007</u>                    | <u>2008</u>         |                        |
| <b>Assets:</b>                     |                                |                     |                        |
| Current and Other Assets           | \$14,375,811                   | \$13,435,178        | (\$940,633)            |
| Nondepreciable Capital Assets      | 2,804,350                      | 2,804,350           | 0                      |
| Depreciable Capital Assets, Net    | 6,509,894                      | 6,237,682           | (272,212)              |
| <i>Total Assets</i>                | <u>23,690,055</u>              | <u>22,477,210</u>   | <u>(1,212,845)</u>     |
| <b>Liabilities:</b>                |                                |                     |                        |
| Current and Other Liabilities      | 5,115,718                      | 4,671,083           | (444,635)              |
| Long-Term Liabilities:             |                                |                     |                        |
| Due Within One Year                | 499,176                        | 406,099             | (93,077)               |
| Due in More Than One Year          | 1,551,907                      | 1,312,559           | (239,348)              |
| <i>Total Liabilities</i>           | <u>7,166,801</u>               | <u>6,389,741</u>    | <u>(777,060)</u>       |
| <b>Net Assets:</b>                 |                                |                     |                        |
| Invested in Capital Assets, Net Of |                                |                     |                        |
| Related Debt                       | 5,841,854                      | 6,072,494           | 230,640                |
| Restricted                         | 2,317,000                      | 2,147,751           | (169,249)              |
| Unrestricted                       | 8,364,400                      | 7,867,224           | (497,176)              |
| <i>Total Net Assets</i>            | <u>\$16,523,254</u>            | <u>\$16,087,469</u> | <u>(\$435,785)</u>     |

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

Current and other assets of governmental activities decreased by \$940,633 compared to 2007, more specifically a decrease in income taxes receivable. During 2007 a resident won the lottery and didn't pay income taxes until 2008 causing a large increase in income tax receivable for 2007. The 2008 income tax receivable amount is more in line with the 2005 and 2006 receivable amounts.

Capital assets of governmental activities showed a decrease of \$272,212 when compared to the prior year as current year depreciation outpaced additions as less infrastructure projects were done in 2008 due to lack of funds.

Current liabilities decreased \$444,635 consisting of mainly accounts, contacts and retainage payable associated with infrastructure projects. At year-end 2007, the City had several payables for infrastructure projects, and this was not the case at year-end 2008. Also notes payable decreased as the City rolled the notes over to a lesser amount during 2008 compared to 2007.

Long-term liabilities decreased by \$332,425, which was the result of debt payments.

Invested in capital assets, net of related debt increased by \$230,640 as a result of the debt payments made during 2008.

Unrestricted net assets decreased \$497,176 from 2007. This decrease was mainly the result of a decrease in charges for service revenues in the General Fund. Prior to 2008, the City recorded trash assessment revenues in the General Fund but during 2008 this activity was moved to a restricted special revenue fund. Also, other restricted funds that have negative net assets are reclassified to unrestricted net assets.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

Table 2 shows the changes in net assets for the year ended December 31, 2007 and 2008.

| Table 2<br>Changes In Net Assets                               |              |              |                        |
|----------------------------------------------------------------|--------------|--------------|------------------------|
|                                                                | 2007         | 2008         | Increase<br>(Decrease) |
| <b>Revenues:</b>                                               |              |              |                        |
| Program Revenues:                                              |              |              |                        |
| Charges for Services                                           | \$1,987,026  | \$2,052,826  | \$65,800               |
| Operating Grants and Contributions                             | 1,429,168    | 1,536,982    | 107,814                |
| Capital Grants and Contributions                               | 1,287,898    | 261,625      | (1,026,273)            |
| <i>Total Program Revenues</i>                                  | 4,704,092    | 3,851,433    | (852,659)              |
| General Revenues:                                              |              |              |                        |
| Property Taxes                                                 | 2,358,177    | 2,245,231    | (112,946)              |
| Income Taxes                                                   | 5,776,774    | 3,707,203    | (2,069,571)            |
| Other Local Taxes                                              | 253,860      | 226,369      | (27,491)               |
| Grants and Entitlements not Restricted to<br>Specific Programs | 713,044      | 615,722      | (97,322)               |
| Unrestricted Investment Earnings                               | 381,022      | 235,276      | (145,746)              |
| Miscellaneous                                                  | 97,069       | 211,121      | 114,052                |
| <i>Total General Revenues</i>                                  | 9,579,946    | 7,240,922    | (2,339,024)            |
| <i>Total Revenues</i>                                          | \$14,284,038 | \$11,092,355 | (3,191,683)            |
| <b>Program Expenses:</b>                                       |              |              |                        |
| General Government                                             | \$2,033,823  | \$2,648,526  | \$614,703              |
| Security of Persons and Property                               | 6,116,657    | 6,487,657    | 371,000                |
| Public Health Services                                         | 2,678        | 1,538        | (1,140)                |
| Leisure Time Activities                                        | 46,111       | 54,571       | 8,460                  |
| Community and Economic Development                             | 520,064      | 547,217      | 27,153                 |
| Transportation                                                 | 1,819,920    | 1,650,345    | (169,575)              |
| Interest and Fiscal Charges                                    | 167,852      | 138,286      | (29,566)               |
| <i>Total Expenses</i>                                          | 10,707,105   | 11,528,140   | \$821,035              |
| <i>Change in Net Assets</i>                                    | 3,576,933    | (435,785)    |                        |
| <i>Net Assets at Beginning of Year</i>                         | 12,946,321   | 16,523,254   |                        |
| <i>Net Assets at End of Year</i>                               | \$16,523,254 | \$16,087,469 |                        |

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

*Governmental Activities*

Program revenues are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues. The large decrease from 2007, occurred in capital grants and contributions, resulting from issue II grant money that was received in 2007, but not in 2008.

The 1.5 percent income tax is the largest source of revenue for the City of Riverside. The large decrease in income taxes for 2008 was mainly the result of a lottery winner who paid income taxes on the winnings in 2008, causing the 2007 amount to be unusually large since a receivable and revenue was recognized at December 31, 2007. The 2008 amount is more in line with the 2005 and 2006 amounts.

Overall expenses increased \$821,035 during 2008. The main increases were in general government and security of persons and property. General government increased due to wages and benefits as well a judgment payout the City was required to make due to a lawsuit. Security of persons and property increased due to increases in police protection as more resources were available to the police department from the property tax levy.

Governmental program expenses as a percentage of total governmental expenses for 2008 are expressed as follows:

|                                    |                |
|------------------------------------|----------------|
| General Government                 | 22.97%         |
| Security of Persons and Property   | 56.28%         |
| Public Health Services             | 0.01%          |
| Leisure Time Activities            | 0.47%          |
| Community and Economic Development | 4.75%          |
| Transportation                     | 14.32%         |
| Interest and Fiscal Charges        | 1.20%          |
|                                    | <u>100.00%</u> |

The above table clearly indicates the City's major source of expenses, 56.28 percent, is related to the implementation of safety forces. A distant second, 22.97 percent, are general government related expenditures for the City. All other forms of governmental operations represent 20.75 percent of expenses.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

**The City's Funds**

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

Fund balance in the General Fund increased \$315,203 for 2008. The General Fund had total revenues of \$6,092,979, expenditures of \$1,954,531 and transfers out of \$3,823,245. The transfers out are the City's way of funding other operations of the City-mainly the police, fire and street departments.

The Fire Fund balance decreased \$173,131. This fund generates revenues mostly through a property tax levy and charges for ambulance runs. This revenue however is not enough to cover expenditures and for the past two years, the General Fund, has subsidized this fund through transfers in the amounts of \$797,102 for 2007 and \$746,447 for 2008.

The Street / Public Service Fund balance decreased \$150,863. The beginning fund balance of \$244,922 was more than adequate to cover this decrease.

The Police Fund had a decrease in fund balance of \$176,234. Revenues remained constant from 2007 and expenditures increased due to pay increases per the union agreements. The General Fund transferred money to subsidize this fund in the amount of \$2,352,974, a 9.8 percent increase from 2007.

The DAP Facility Fund balance increased \$133,876, the result of transfers from the General Fund.

**General Fund Budgeting Highlights**

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

General Fund original and final budgeted revenues totaled \$5,839,068 and \$5,828,571, respectively. Actual revenues of \$6,913,035 were more than final budgeted amounts by \$1,084,464. Income tax revenue was significantly higher than budgeted due to a one time large payment from a lottery winner.

The increase in expenditures from the original to the final budget was \$387,562. Actual expenditures of \$2,136,617 were \$142,023 less than final budgeted expenditures of \$2,278,640. This decrease was primarily due to the City closely monitoring the expenditures relating to general government activities.

The City's ending unobligated cash balance for the General Fund was \$2,846,031 above the final budgeted amount.

**City of Riverside**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2008

---

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2008, the City had \$9,042,032 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$272,212 from the prior year. The decrease can be attributed to current year depreciation costs exceeding current year additions, due to the lack of funds to purchase new assets and update any major infrastructure.

See Note 10 of the Notes to the Basic Financial Statements for more detailed information.

*Debt*

The City's outstanding long-term debt obligations at year-end included general obligation bonds in the amount of \$1,507,929 and bond anticipation notes in the amount of \$20,370. The City also had short-term notes in the amount of \$1,451,000. The City's long-term obligations also include capital leases and compensated absences for governmental activities.

See Notes 15 and 16 of the Notes to the Basic Financial Statements for more detailed information.

**Contacting the City's Finance Department**

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

**City of Riverside**  
Statement of Net Assets  
December 31, 2008

|                                                 | <u>Primary Government</u> | <u>Component Unit</u>          |                        |
|-------------------------------------------------|---------------------------|--------------------------------|------------------------|
|                                                 | <u>Governmental</u>       | <u>Riverside Community</u>     | <u>Total Reporting</u> |
|                                                 | <u>Activities</u>         | <u>Improvement Corporation</u> | <u>Entity</u>          |
| <b>Assets:</b>                                  |                           |                                |                        |
| Equity in Pooled Cash and Cash Equivalents      | \$7,426,865               | \$0                            | \$7,426,865            |
| Restricted Cash                                 | 579,433                   | 0                              | 579,433                |
| Accounts Receivable                             | 399,673                   | 0                              | 399,673                |
| Accrued Interest Receivable                     | 22,111                    | 0                              | 22,111                 |
| Intergovernmental Receivable                    | 1,069,426                 | 0                              | 1,069,426              |
| Income Taxes Receivable                         | 1,551,202                 | 0                              | 1,551,202              |
| Other Local Taxes Receivable                    | 56,345                    | 0                              | 56,345                 |
| Property Taxes Receivable                       | 2,162,511                 | 0                              | 2,162,511              |
| Special Assessments Receivable                  | 57,671                    | 0                              | 57,671                 |
| Due from Component Unit                         | 109,941                   | 0                              | 109,941                |
| Real Estate Held for Resale                     | 0                         | 109,941                        | 109,941                |
| Capital Assets:                                 |                           |                                |                        |
| Nondepreciable Capital Assets                   | 2,804,350                 | 0                              | 2,804,350              |
| Depreciable Capital Assets, Net                 | 6,237,682                 | 0                              | 6,237,682              |
| <i>Total Assets</i>                             | <u>22,477,210</u>         | <u>109,941</u>                 | <u>22,587,151</u>      |
| <b>Liabilities:</b>                             |                           |                                |                        |
| Accounts Payable                                | 148,619                   | 0                              | 148,619                |
| Contracts Payable                               | 60,503                    | 0                              | 60,503                 |
| Accrued Wages and Benefits Payable              | 272,685                   | 0                              | 272,685                |
| Intergovernmental Payable                       | 667,033                   | 0                              | 667,033                |
| Deferred Revenue                                | 2,045,623                 | 0                              | 2,045,623              |
| Accrued Vacation Leave Payable                  | 15,100                    | 0                              | 15,100                 |
| Accrued Interest Payable                        | 10,520                    | 0                              | 10,520                 |
| Notes Payable                                   | 1,451,000                 | 0                              | 1,451,000              |
| Long-Term Liabilities:                          |                           |                                |                        |
| Due Within One Year                             | 406,099                   | 0                              | 406,099                |
| Due in More Than One Year                       | 1,312,559                 | 109,941                        | 1,422,500              |
| <i>Total Liabilities</i>                        | <u>6,389,741</u>          | <u>109,941</u>                 | <u>6,499,682</u>       |
| <b>Net Assets:</b>                              |                           |                                |                        |
| Invested in Capital Assets, Net of Related Debt | 6,072,494                 | 0                              | 6,072,494              |
| Restricted for:                                 |                           |                                |                        |
| Capital Outlay                                  | 368,513                   | 0                              | 368,513                |
| Debt Service                                    | 27,287                    | 0                              | 27,287                 |
| Transportation                                  | 659,233                   | 0                              | 659,233                |
| Security of Persons and Property                | 343,994                   | 0                              | 343,994                |
| Other Purposes                                  | 169,291                   | 0                              | 169,291                |
| Budget Stabilization                            | 579,433                   | 0                              | 579,433                |
| Unrestricted                                    | 7,867,224                 | 0                              | 7,867,224              |
| <i>Total Net Assets</i>                         | <u>\$16,087,469</u>       | <u>\$0</u>                     | <u>\$16,087,469</u>    |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Activities  
For the Year Ended December 31, 2008

|                                                                | <u>Program Revenues</u> |                                 |                                               | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets</u> |                                          |
|----------------------------------------------------------------|-------------------------|---------------------------------|-----------------------------------------------|--------------------------------------------------------------------|------------------------------------------|
|                                                                | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating Grants<br/>and Contributions</u> | <u>Capital Grants<br/>and Contributions</u>                        | <u>Total Governmental<br/>Activities</u> |
| <b>Governmental Activities:</b>                                |                         |                                 |                                               |                                                                    |                                          |
| General Government                                             | \$2,648,526             | \$1,105,820                     | \$5,658                                       | \$0                                                                | (\$1,537,048)                            |
| Security of Persons and Property                               | 6,487,657               | 896,431                         | 305,934                                       | 0                                                                  | (5,285,292)                              |
| Public Health Services                                         | 1,538                   | 1,500                           | 0                                             | 0                                                                  | (38)                                     |
| Leisure Time Activities                                        | 54,571                  | 0                               | 0                                             | 0                                                                  | (54,571)                                 |
| Community and Economic Development                             | 547,217                 | 0                               | 0                                             | 261,625                                                            | (285,592)                                |
| Transportation                                                 | 1,650,345               | 49,075                          | 1,225,390                                     | 0                                                                  | (375,880)                                |
| Interest and Fiscal Charges                                    | 138,286                 | 0                               | 0                                             | 0                                                                  | (138,286)                                |
| <i>Total Governmental Activities</i>                           | <u>\$11,528,140</u>     | <u>\$2,052,826</u>              | <u>\$1,536,982</u>                            | <u>\$261,625</u>                                                   | <u>(7,676,707)</u>                       |
| <b>General Revenues:</b>                                       |                         |                                 |                                               |                                                                    |                                          |
| Property Taxes Levied for:                                     |                         |                                 |                                               |                                                                    |                                          |
| General Purposes                                               |                         |                                 |                                               | 416,516                                                            |                                          |
| Public Safety                                                  |                         |                                 |                                               | 1,828,715                                                          |                                          |
| Income Taxes Levied for General Purposes                       |                         |                                 |                                               | 3,707,203                                                          |                                          |
| Other Local Taxes                                              |                         |                                 |                                               | 226,369                                                            |                                          |
| Grants and Entitlements not<br>Restricted to Specific Programs |                         |                                 |                                               | 615,722                                                            |                                          |
| Interest                                                       |                         |                                 |                                               | 235,276                                                            |                                          |
| Miscellaneous                                                  |                         |                                 |                                               | 211,121                                                            |                                          |
| <i>Total General Revenues</i>                                  |                         |                                 |                                               | <u>7,240,922</u>                                                   |                                          |
| <i>Change in Net Assets</i>                                    |                         |                                 |                                               |                                                                    | (435,785)                                |
| <i>Net Assets at Beginning of Year - Restated (Note 3)</i>     |                         |                                 |                                               |                                                                    | <u>16,523,254</u>                        |
| <i>Net Assets at End of Year</i>                               |                         |                                 |                                               |                                                                    | <u>\$16,087,469</u>                      |

See Accompanying Notes to the Basic Financial Statements

**This Page is Intentionally Left Blank.**

**City of Riverside**  
Balance Sheet  
Governmental Funds  
December 31, 2008

|                                            | <b>General<br/>Fund</b> | <b>Fire<br/>Fund</b> | <b>Street /<br/>Public Service<br/>Fund</b> |
|--------------------------------------------|-------------------------|----------------------|---------------------------------------------|
| <b>Assets:</b>                             |                         |                      |                                             |
| Equity in Pooled Cash and Cash Equivalents | \$6,189,316             | \$94,807             | \$191,143                                   |
| Restricted Cash                            | 579,433                 | 0                    | 0                                           |
| Accounts                                   | 0                       | 294,406              | 23,221                                      |
| Accrued Interest                           | 22,111                  | 0                    | 0                                           |
| Intergovernmental                          | 400,461                 | 45,529               | 416,267                                     |
| Income Taxes                               | 1,551,202               | 0                    | 0                                           |
| Property Taxes                             | 388,871                 | 612,706              | 0                                           |
| Other Local Taxes                          | 56,345                  | 0                    | 0                                           |
| Special Assessments                        | 0                       | 0                    | 46,742                                      |
| Interfund                                  | 98,100                  | 0                    | 0                                           |
| Due from Component Unit                    | 0                       | 0                    | 0                                           |
| <i>Total Assets</i>                        | <u>\$9,285,839</u>      | <u>\$1,047,448</u>   | <u>\$677,373</u>                            |
| <b>Liabilities and Fund Balances:</b>      |                         |                      |                                             |
| <b>Liabilities:</b>                        |                         |                      |                                             |
| Accounts Payable                           | \$74,187                | \$17,962             | \$41,641                                    |
| Contracts Payable                          | 4,650                   | 0                    | 42,466                                      |
| Accrued Wages and Benefits Payable         | 23,041                  | 65,790               | 32,459                                      |
| Intergovernmental Payable                  | 46,360                  | 176,331              | 51,272                                      |
| Accrued Interest Payable                   | 0                       | 0                    | 0                                           |
| Accrued Vacation Leave Payable             | 6,453                   | 8,371                | 0                                           |
| Interfund Payable                          | 0                       | 0                    | 0                                           |
| Deferred Revenue                           | 1,939,261               | 911,278              | 415,476                                     |
| Notes Payable                              | 0                       | 0                    | 0                                           |
| <i>Total Liabilities</i>                   | <u>2,093,952</u>        | <u>1,179,732</u>     | <u>583,314</u>                              |
| <b>Fund Balances:</b>                      |                         |                      |                                             |
| Reserved for Encumbrances                  | 110,780                 | 56,997               | 94,737                                      |
| Unreserved:                                |                         |                      |                                             |
| Designated:                                |                         |                      |                                             |
| Budget Stabilization                       | 579,433                 | 0                    | 0                                           |
| Undesignated, (Deficit) Reported in:       |                         |                      |                                             |
| General Fund                               | 6,501,674               | 0                    | 0                                           |
| Special Revenue Funds                      | 0                       | (189,281)            | (678)                                       |
| Debt Service Fund                          | 0                       | 0                    | 0                                           |
| Capital Projects Funds                     | 0                       | 0                    | 0                                           |
| <i>Total Fund Balances (Deficit)</i>       | <u>7,191,887</u>        | <u>(132,284)</u>     | <u>94,059</u>                               |
| <i>Total Liabilities and Fund Balances</i> | <u>\$9,285,839</u>      | <u>\$1,047,448</u>   | <u>\$677,373</u>                            |

See Accompanying Notes to the Basic Financial Statements

| <b>Police Fund</b> | <b>DAP Facility Fund</b> | <b>Nonmajor Funds</b> | <b>Total Governmental Funds</b> |
|--------------------|--------------------------|-----------------------|---------------------------------|
| \$133,709          | \$8                      | \$817,882             | \$7,426,865                     |
| 0                  | 0                        | 0                     | 579,433                         |
| 0                  | 0                        | 82,046                | 399,673                         |
| 0                  | 0                        | 0                     | 22,111                          |
| 103,859            | 0                        | 103,310               | 1,069,426                       |
| 0                  | 0                        | 0                     | 1,551,202                       |
| 1,160,934          | 0                        | 0                     | 2,162,511                       |
| 0                  | 0                        | 0                     | 56,345                          |
| 0                  | 0                        | 10,929                | 57,671                          |
| 0                  | 0                        | 0                     | 98,100                          |
| 0                  | 0                        | 109,941               | 109,941                         |
| <b>\$1,398,502</b> | <b>\$8</b>               | <b>\$1,124,108</b>    | <b>\$13,533,278</b>             |
| \$14,083           | \$0                      | \$746                 | \$148,619                       |
| 0                  | 0                        | 13,387                | 60,503                          |
| 149,815            | 0                        | 1,580                 | 272,685                         |
| 309,028            | 2,392                    | 81,650                | 667,033                         |
| 0                  | 5,829                    | 0                     | 5,829                           |
| 161                | 0                        | 115                   | 15,100                          |
| 0                  | 0                        | 98,100                | 98,100                          |
| 1,261,345          | 0                        | 230,444               | 4,757,804                       |
| 0                  | 1,451,000                | 0                     | 1,451,000                       |
| <b>1,734,432</b>   | <b>1,459,221</b>         | <b>426,022</b>        | <b>7,476,673</b>                |
| 89,760             | 0                        | 30,798                | 383,072                         |
| 0                  | 0                        | 0                     | 579,433                         |
| 0                  | 0                        | 0                     | 6,501,674                       |
| (425,690)          | (1,459,213)              | 392,495               | (1,682,367)                     |
| 0                  | 0                        | 31,978                | 31,978                          |
| 0                  | 0                        | 242,815               | 242,815                         |
| <b>(335,930)</b>   | <b>(1,459,213)</b>       | <b>698,086</b>        | <b>6,056,605</b>                |
| <b>\$1,398,502</b> | <b>\$8</b>               | <b>\$1,124,108</b>    | <b>\$13,533,278</b>             |

**City of Riverside**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2008

---

|                                         |                    |
|-----------------------------------------|--------------------|
| <b>Total Governmental Fund Balances</b> | <b>\$6,056,605</b> |
|-----------------------------------------|--------------------|

*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

|                                     |                    |
|-------------------------------------|--------------------|
| Land                                | 2,804,350          |
| Land Improvements                   | 115,294            |
| Buildings and Building Improvements | 2,466,700          |
| Machinery and Equipment             | 2,012,714          |
| Vehicles                            | 3,103,786          |
| Infrastructure                      | 3,257,942          |
| Accumulated Depreciation            | <u>(4,718,754)</u> |

|       |           |
|-------|-----------|
| Total | 9,042,032 |
|-------|-----------|

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

|                     |               |
|---------------------|---------------|
| Income Taxes        | 1,148,455     |
| Property Taxes      | 116,888       |
| Other Local Taxes   | 56,345        |
| Special Assessments | 162,863       |
| Intergovernmental   | 851,257       |
| Accounts            | 255,769       |
| Loans               | 109,941       |
| Interest            | <u>10,663</u> |

|       |           |
|-------|-----------|
| Total | 2,712,181 |
|-------|-----------|

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

|                          |                  |
|--------------------------|------------------|
| Accrued Interest         | (4,691)          |
| Bond Anticipation Notes  | (20,370)         |
| General Obligation Bonds | (1,507,929)      |
| Capital Leases           | (10,609)         |
| Compensated Absences     | <u>(179,750)</u> |

|       |                    |
|-------|--------------------|
| Total | <u>(1,723,349)</u> |
|-------|--------------------|

|                                              |                            |
|----------------------------------------------|----------------------------|
| <i>Net Assets of Governmental Activities</i> | <u><u>\$16,087,469</u></u> |
|----------------------------------------------|----------------------------|

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008

|                                                     | <b>General<br/>Fund</b>   | <b>Fire<br/>Fund</b>      | <b>Street /<br/>Public Service<br/>Fund</b> |
|-----------------------------------------------------|---------------------------|---------------------------|---------------------------------------------|
| <b>Revenues:</b>                                    |                           |                           |                                             |
| Income Taxes                                        | \$4,324,535               | \$0                       | \$0                                         |
| Property Taxes                                      | 412,939                   | 644,966                   | 0                                           |
| Other Local Taxes                                   | 235,868                   | 0                         | 0                                           |
| Special Assessments                                 | 0                         | 0                         | 70,229                                      |
| Intergovernmental                                   | 668,446                   | 91,118                    | 890,996                                     |
| Charges for Services                                | 0                         | 676,220                   | 23,554                                      |
| Licenses and Permits                                | 51,813                    | 0                         | 0                                           |
| Fines and Forfeitures                               | 0                         | 0                         | 0                                           |
| Interest                                            | 237,684                   | 0                         | 0                                           |
| Miscellaneous                                       | 161,694                   | 8,500                     | 6,687                                       |
| <i>Total Revenues</i>                               | <u>6,092,979</u>          | <u>1,420,804</u>          | <u>991,466</u>                              |
| <b>Expenditures:</b>                                |                           |                           |                                             |
| Current Operations and Maintenance:                 |                           |                           |                                             |
| General Government                                  | 1,555,811                 | 0                         | 0                                           |
| Security of Persons and Property                    | 52,601                    | 2,165,173                 | 0                                           |
| Public Health Services                              | 0                         | 0                         | 0                                           |
| Leisure Time Activities                             | 42,420                    | 0                         | 0                                           |
| Community and Economic Development                  | 265,791                   | 0                         | 0                                           |
| Transportation                                      | 0                         | 0                         | 1,354,693                                   |
| Capital Outlay                                      | 30,881                    | 12,649                    | 117,952                                     |
| Debt Service:                                       |                           |                           |                                             |
| Principal Retirement                                | 6,220                     | 120,000                   | 75,923                                      |
| Interest and Fiscal Charges                         | 807                       | 42,560                    | 6,985                                       |
| <i>Total Expenditures</i>                           | <u>1,954,531</u>          | <u>2,340,382</u>          | <u>1,555,553</u>                            |
| Excess of Revenues Over<br>(Under) Expenditures     | <u>4,138,448</u>          | <u>(919,578)</u>          | <u>(564,087)</u>                            |
| <b>Other Financing Sources (Uses):</b>              |                           |                           |                                             |
| Transfers In                                        | 0                         | 746,447                   | 413,224                                     |
| Transfers Out                                       | <u>(3,823,245)</u>        | <u>0</u>                  | <u>0</u>                                    |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(3,823,245)</u>        | <u>746,447</u>            | <u>413,224</u>                              |
| <i>Net Change in Fund Balance</i>                   | 315,203                   | (173,131)                 | (150,863)                                   |
| <i>Fund Balances (Deficit) at Beginning of Year</i> | <u>6,876,684</u>          | <u>40,847</u>             | <u>244,922</u>                              |
| <i>Fund Balances (Deficit) at End of Year</i>       | <u><u>\$7,191,887</u></u> | <u><u>(\$132,284)</u></u> | <u><u>\$94,059</u></u>                      |

See Accompanying Notes to the Basic Financial Statements

| <b>Police Fund</b> | <b>DAP Facility Fund</b> | <b>Nonmajor Funds</b> | <b>Total Governmental Funds</b> |
|--------------------|--------------------------|-----------------------|---------------------------------|
| \$0                | \$0                      | \$0                   | \$4,324,535                     |
| 1,167,809          | 0                        | 0                     | 2,225,714                       |
| 0                  | 0                        | 0                     | 235,868                         |
| 0                  | 0                        | 174,736               | 244,965                         |
| 197,029            | 0                        | 897,728               | 2,745,317                       |
| 0                  | 0                        | 1,009,834             | 1,709,608                       |
| 0                  | 0                        | 0                     | 51,813                          |
| 33,127             | 0                        | 947                   | 34,074                          |
| 0                  | 0                        | 2,506                 | 240,190                         |
| 38,082             | 0                        | 870                   | 215,833                         |
| <b>1,436,047</b>   | <b>0</b>                 | <b>2,086,621</b>      | <b>12,027,917</b>               |
| 0                  | 0                        | 1,056,970             | 2,612,781                       |
| 3,835,576          | 0                        | 141,526               | 6,194,876                       |
| 0                  | 0                        | 1,380                 | 1,380                           |
| 0                  | 0                        | 0                     | 42,420                          |
| 0                  | 7,842                    | 4,804                 | 278,437                         |
| 0                  | 0                        | 29,527                | 1,384,220                       |
| 66,058             | 0                        | 357,793               | 585,333                         |
| 59,877             | 0                        | 88,600                | 350,620                         |
| 3,744              | 59,332                   | 26,975                | 140,403                         |
| <b>3,965,255</b>   | <b>67,174</b>            | <b>1,707,575</b>      | <b>11,590,470</b>               |
| <b>(2,529,208)</b> | <b>(67,174)</b>          | <b>379,046</b>        | <b>437,447</b>                  |
| 2,352,974          | 201,050                  | 109,550               | 3,823,245                       |
| 0                  | 0                        | 0                     | (3,823,245)                     |
| <b>2,352,974</b>   | <b>201,050</b>           | <b>109,550</b>        | <b>0</b>                        |
| (176,234)          | 133,876                  | 488,596               | 437,447                         |
| (159,696)          | (1,593,089)              | 209,490               | 5,619,158                       |
| <b>(\$335,930)</b> | <b>(\$1,459,213)</b>     | <b>\$698,086</b>      | <b>\$6,056,605</b>              |

**City of Riverside**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2008

---

**Net Change in Fund Balances - Total Governmental Funds** \$437,447

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

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

|                                                     |           |           |
|-----------------------------------------------------|-----------|-----------|
| Capital Asset Additions                             | 316,426   |           |
| Depreciation                                        | (588,638) |           |
| Excess of Capital Outlay under Depreciation Expense | (272,212) | (272,212) |

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

|                      |           |           |
|----------------------|-----------|-----------|
| Income Taxes         | (617,332) |           |
| Property Taxes       | 19,517    |           |
| Other Local Taxes    | (9,499)   |           |
| Special Assessments  | (40,550)  |           |
| Intergovernmental    | (330,988) |           |
| Charges for Services | 52,916    |           |
| Miscellaneous        | (4,712)   |           |
| Accrued Interest     | (4,914)   |           |
|                      | (935,562) | (935,562) |

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

|                                  |         |         |
|----------------------------------|---------|---------|
| Bond Anticipation Note Payments  | 19,768  |         |
| General Obligation Bond Payments | 215,419 |         |
| Capital Lease Payments           | 115,433 |         |
|                                  | 350,620 | 350,620 |

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

|                                  |       |
|----------------------------------|-------|
| Net Decrease in Accrued Interest | 2,117 |
|----------------------------------|-------|

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

|                                  |          |
|----------------------------------|----------|
| Increase in Compensated Absences | (18,195) |
|----------------------------------|----------|

*Change in Net Assets of Governmental Activities* (\$435,785)

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2008

|                                             | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Budgetary<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------------|
| <b>Revenues:</b>                            |                            |                         |                             |                                             |
| Income Taxes                                | \$4,346,077                | \$4,337,649             | \$5,109,430                 | \$771,781                                   |
| Property Taxes                              | 426,222                    | 426,222                 | 412,939                     | (13,283)                                    |
| Other Local Taxes                           | 243,472                    | 243,000                 | 238,615                     | (4,385)                                     |
| Intergovernmental                           | 701,661                    | 700,300                 | 704,468                     | 4,168                                       |
| Licenses and Permits                        | 31,461                     | 31,400                  | 52,115                      | 20,715                                      |
| Interest                                    | 75,146                     | 75,000                  | 230,233                     | 155,233                                     |
| Miscellaneous                               | 15,029                     | 15,000                  | 165,235                     | 150,235                                     |
| <i>Total Revenues</i>                       | <u>5,839,068</u>           | <u>5,828,571</u>        | <u>6,913,035</u>            | <u>1,084,464</u>                            |
| <b>Expenditures:</b>                        |                            |                         |                             |                                             |
| Current Operations and Maintenance:         |                            |                         |                             |                                             |
| General Government                          | 1,404,733                  | 1,759,695               | 1,681,598                   | 78,097                                      |
| Security of Persons and Property            | 42,000                     | 55,120                  | 52,601                      | 2,519                                       |
| Leisure Time Activities                     | 66,841                     | 73,841                  | 46,795                      | 27,046                                      |
| Community and Economic Development          | 333,330                    | 346,410                 | 323,139                     | 23,271                                      |
| Capital Outlay                              | 44,174                     | 43,574                  | 32,484                      | 11,090                                      |
| <i>Total Expenditures</i>                   | <u>1,891,078</u>           | <u>2,278,640</u>        | <u>2,136,617</u>            | <u>142,023</u>                              |
| Excess of Revenues Over Expenditures        | <u>3,947,990</u>           | <u>3,549,931</u>        | <u>4,776,418</u>            | <u>1,226,487</u>                            |
| <b>Other Financing Sources (Uses):</b>      |                            |                         |                             |                                             |
| Advances - In                               | 0                          | 0                       | 670,902                     | 670,902                                     |
| Advances - Out                              | 0                          | 0                       | (577,100)                   | (577,100)                                   |
| Transfers Out                               | (5,010,065)                | (5,348,987)             | (3,823,245)                 | 1,525,742                                   |
| <i>Total Other Financing Sources (Uses)</i> | <u>(5,010,065)</u>         | <u>(5,348,987)</u>      | <u>(3,729,443)</u>          | <u>1,619,544</u>                            |
| <i>Net Change in Fund Balance</i>           | (1,062,075)                | (1,799,056)             | 1,046,975                   | 2,846,031                                   |
| <i>Fund Balance at Beginning of Year</i>    | 5,424,405                  | 5,424,405               | 5,424,405                   | 0                                           |
| <i>Prior Year Encumbrances</i>              | <u>120,403</u>             | <u>120,403</u>          | <u>120,403</u>              | <u>0</u>                                    |
| <i>Fund Balance at End of Year</i>          | <u>\$4,482,733</u>         | <u>\$3,745,752</u>      | <u>\$6,591,783</u>          | <u>\$2,846,031</u>                          |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
Fire Fund  
For the Year Ended December 31, 2008

|                                              | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Budgetary<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------------|
| <b>Revenues:</b>                             |                            |                         |                             |                                             |
| Property Taxes                               | \$674,829                  | \$674,829               | \$644,966                   | (\$29,863)                                  |
| Intergovernmental                            | 0                          | 0                       | 91,669                      | 91,669                                      |
| Charges for Services                         | 449,172                    | 449,172                 | 682,269                     | 233,097                                     |
| Miscellaneous                                | 0                          | 0                       | 12,752                      | 12,752                                      |
| <i>Total Revenues</i>                        | <u>1,124,001</u>           | <u>1,124,001</u>        | <u>1,431,656</u>            | <u>307,655</u>                              |
| <b>Expenditures:</b>                         |                            |                         |                             |                                             |
| Current Operations and Maintenance:          |                            |                         |                             |                                             |
| Security of Persons and Property             | 2,463,506                  | 2,249,586               | 2,184,473                   | 65,113                                      |
| Capital Outlay                               | 61,761                     | 61,761                  | 61,318                      | 443                                         |
| Debt Service:                                |                            |                         |                             |                                             |
| Principal Retirement                         | 120,000                    | 120,000                 | 120,000                     | 0                                           |
| Interest and Fiscal Charges                  | 39,840                     | 42,560                  | 42,560                      | 0                                           |
| <i>Total Expenditures</i>                    | <u>2,685,107</u>           | <u>2,473,907</u>        | <u>2,408,351</u>            | <u>65,556</u>                               |
| Excess of Revenues Over (Under) Expenditures | (1,561,106)                | (1,349,906)             | (976,695)                   | 373,211                                     |
| <b>Other Financing Sources:</b>              |                            |                         |                             |                                             |
| Transfers In                                 | 1,396,100                  | 1,396,100               | 746,447                     | (649,653)                                   |
|                                              | (165,006)                  | 46,194                  | (230,248)                   | (276,442)                                   |
| <i>Fund Balance at Beginning of Year</i>     | 106,441                    | 106,441                 | 106,441                     | 0                                           |
| <i>Prior Year Encumbrances</i>               | <u>151,068</u>             | <u>151,068</u>          | <u>151,068</u>              | <u>0</u>                                    |
| <i>Fund Balance at End of Year</i>           | <u><u>\$92,503</u></u>     | <u><u>\$303,703</u></u> | <u><u>\$27,261</u></u>      | <u><u>(\$276,442)</u></u>                   |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
Street / Public Service Fund  
For the Year Ended December 31, 2008

|                                              | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Budgetary<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------------|
| <b>Revenues:</b>                             |                            |                         |                             |                                             |
| Special Assessments                          | \$66,000                   | \$66,000                | \$70,229                    | \$4,229                                     |
| Intergovernmental                            | 779,000                    | 779,000                 | 900,303                     | 121,303                                     |
| Charges for Services                         | 0                          | 0                       | 23,554                      | 23,554                                      |
| Miscellaneous                                | 0                          | 0                       | 6,687                       | 6,687                                       |
| <i>Total Revenues</i>                        | <u>845,000</u>             | <u>845,000</u>          | <u>1,000,773</u>            | <u>155,773</u>                              |
| <b>Expenditures:</b>                         |                            |                         |                             |                                             |
| Current Operations and Maintenance:          |                            |                         |                             |                                             |
| Transportation                               | 1,466,564                  | 1,573,714               | 1,468,981                   | 104,733                                     |
| Capital Outlay                               | 332,496                    | 240,346                 | 220,152                     | 20,194                                      |
| Debt Service:                                |                            |                         |                             |                                             |
| Principal Retirement                         | 26,587                     | 26,587                  | 26,587                      | 0                                           |
| Interest and Fiscal Charges                  | 3,550                      | 3,550                   | 3,550                       | 0                                           |
| <i>Total Expenditures</i>                    | <u>1,829,197</u>           | <u>1,844,197</u>        | <u>1,719,270</u>            | <u>124,927</u>                              |
| Excess of Revenues Over (Under) Expenditures | (984,197)                  | (999,197)               | (718,497)                   | 280,700                                     |
| <b>Other Financing Sources:</b>              |                            |                         |                             |                                             |
| Transfers In                                 | 779,250                    | 779,250                 | 413,224                     | (366,026)                                   |
| <i>Net Change in Fund Balance</i>            | (204,947)                  | (219,947)               | (305,273)                   | (85,326)                                    |
|                                              | 118,555                    | 118,555                 | 118,555                     | 0                                           |
| <i>Prior Year Encumbrances</i>               | <u>204,560</u>             | <u>204,560</u>          | <u>204,560</u>              | <u>0</u>                                    |
| <i>Fund Balance at End of Year</i>           | <u>\$118,168</u>           | <u>\$103,168</u>        | <u>\$17,842</u>             | <u>(\$85,326)</u>                           |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
Police Fund  
For the Year Ended December 31, 2008

|                                              | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Budgetary<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------------|
| <b>Revenues:</b>                             |                            |                         |                             |                                             |
| Property Taxes                               | \$1,298,987                | \$1,298,987             | \$1,167,809                 | (\$131,178)                                 |
| Intergovernmental                            | 2,000                      | 2,000                   | 197,587                     | 195,587                                     |
| Fines and Forfeitures                        | 31,000                     | 31,000                  | 33,225                      | 2,225                                       |
| Miscellaneous                                | 10,000                     | 10,000                  | 46,295                      | 36,295                                      |
| <i>Total Revenues</i>                        | <u>1,341,987</u>           | <u>1,341,987</u>        | <u>1,444,916</u>            | <u>102,929</u>                              |
| <b>Expenditures:</b>                         |                            |                         |                             |                                             |
| Current Operations and Maintenance:          |                            |                         |                             |                                             |
| Security of Persons and Property             | 3,983,559                  | 3,935,874               | 3,860,640                   | 75,234                                      |
| Capital Outlay                               | 108,714                    | 108,714                 | 106,689                     | 2,025                                       |
| <i>Total Expenditures</i>                    | <u>4,092,273</u>           | <u>4,044,588</u>        | <u>3,967,329</u>            | <u>77,259</u>                               |
| Excess of Revenues Over (Under) Expenditures | (2,750,286)                | (2,702,601)             | (2,522,413)                 | 180,188                                     |
| <b>Other Financing Sources:</b>              |                            |                         |                             |                                             |
| Transfers In                                 | 2,573,500                  | 2,573,500               | 2,352,974                   | (220,526)                                   |
| <i>Net Change in Fund Balance</i>            | (176,786)                  | (129,101)               | (169,439)                   | (40,338)                                    |
| <i>Fund Balance at Beginning of Year</i>     | 27,851                     | 27,851                  | 27,851                      | 0                                           |
| <i>Prior Year Encumbrances</i>               | <u>150,825</u>             | <u>150,825</u>          | <u>150,825</u>              | <u>0</u>                                    |
| <i>Fund Balance at End of Year</i>           | <u>\$1,890</u>             | <u>\$49,575</u>         | <u>\$9,237</u>              | <u>(\$40,338)</u>                           |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
DAP Facility Fund  
For the Year Ended December 31, 2008

|                                          | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Budgetary<br/>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|------------------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------------|
| <b>Revenues:</b>                         |                            |                         |                             |                                             |
| <i>Total Revenues</i>                    | \$0                        | \$0                     | \$0                         | \$0                                         |
| <b>Expenditures:</b>                     |                            |                         |                             |                                             |
| Current Operations and Maintenance:      |                            |                         |                             |                                             |
| Community and Economic Development       | 30,844                     | 6,644                   | 5,450                       | 1,194                                       |
| Debt Service:                            |                            |                         |                             |                                             |
| Principal Retirement                     | 1,623,000                  | 1,623,000               | 1,623,000                   | 0                                           |
| Interest and Fiscal Charges              | 65,586                     | 65,586                  | 58,881                      | 6,705                                       |
| <i>Total Expenditures</i>                | 1,719,430                  | 1,695,230               | 1,687,331                   | 7,899                                       |
| <b>Other Financing Sources:</b>          |                            |                         |                             |                                             |
| Transfers In                             | 235,280                    | 235,280                 | 201,050                     | (34,230)                                    |
| Bond Anticipation Notes Issued           | 1,483,000                  | 1,483,000               | 1,451,000                   | (32,000)                                    |
| Total Other Financing Sources            | 1,718,280                  | 1,718,280               | 1,652,050                   | (66,230)                                    |
| <i>Net Change in Fund Balance</i>        | (1,150)                    | 23,050                  | (35,281)                    | (58,331)                                    |
| <i>Fund Balance at Beginning of Year</i> | 34,145                     | 34,145                  | 34,145                      | 0                                           |
| <i>Prior Year Encumbrances</i>           | 1,144                      | 1,144                   | 1,144                       | 0                                           |
| <i>Fund Balance at End of Year</i>       | \$34,139                   | \$58,339                | \$8                         | (\$58,331)                                  |

See Accompanying Notes to the Basic Financial Statements

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY** (continued)

Riverside Community Improvement Corporation

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

The City is associated with five organizations, three of which are defined as jointly governed organizations, one as a related organization and one as a risk sharing pool. These organizations are the Miami Valley Regional Planning Commission, the Miami Valley Fire/EMS Alliance, the Economic Development/Government Equity Program, the Riverside Historical Society, and the Public Entities Pool of Ohio and are presented in Notes 19, 20, and 21 to the Basic Financial Statements.

The information in Notes 2 through 22 relate to the primary government. Information related to the discretely presented component unit is presented in Note 23.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis of Presentation**

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

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

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

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the City: governmental and fiduciary.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Governmental Funds*

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

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

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

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

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

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

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

*Fiduciary Funds*

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement Focus**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

*Revenues – Exchange and Non-Exchange Transactions*

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 8.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*Deferred Revenues*

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

*Expenses/Expenditures*

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Budgets and Budgetary Accounting**

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

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

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

**F. Cash and Cash Equivalents**

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

During the year, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Notes, Federal National Mortgage Association Discount Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Notes, United States Treasury Notes, Negotiable Certificates of Deposit, and STAROhio. Investments are reported at fair value which is based on quoted market prices.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on December 31, 2008.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2008 amounted to \$237,684, which includes \$34,224 assigned from other funds.

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

**G. Interfund Receivables/Payables**

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

**H. Capital Assets**

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

**I. Compensated Absences**

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. Fund Balance Reserves and Designation**

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

**L. Internal Activity**

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

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

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

**M. Net Assets**

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

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

The government-wide Statement of Net Assets reports \$2,147,751 of restricted net assets, \$579,433 of which is restricted by enabling legislation.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**N. Estimates**

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

**NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND EQUITY**

A prior year error resulted in the overstatement of special assessments receivable. This error resulted in the following change to net assets of Governmental Activities:

|                           | <u>Governmental<br/>Activities</u> |
|---------------------------|------------------------------------|
| Net Assets                |                                    |
| December 31, 2007         | \$17,387,824                       |
| Adjustments to Net Assets | <u>(864,570)</u>                   |
| Adjusted Net Assets,      |                                    |
| December 31, 2007         | <u><u>\$16,523,254</u></u>         |

**NOTE 4 – ACCOUNTABILITY**

At December 31, 2008, the Fire, Police, DAP Facility, and Victims of Crime Special Revenue Funds, and the Ohio Public Works/Issue II Capital Projects Fund had deficit fund balances of \$132,284, \$335,930, \$1,459,213, \$1,633 and \$4,749, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the DAP Facility Special Revenue Fund is due to liabilities for bond anticipation notes payable being reported as a fund liability that will be eliminated when the bonds are issued or the notes are repaid.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Notes issued are presented as other financing sources (budget basis) as opposed to liabilities on the balance sheet (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
6. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING** (continued)

|                                     | Net Change in Fund Balance |                    |                                    |                    |                      |
|-------------------------------------|----------------------------|--------------------|------------------------------------|--------------------|----------------------|
|                                     | General<br>Fund            | Fire<br>Fund       | Street /<br>Public<br>Service Fund | Police<br>Fund     | DAP Facility<br>Fund |
| GAAP Basis                          | \$315,203                  | (\$173,131)        | (\$150,863)                        | (\$176,234)        | \$133,876            |
| Increases (Decreases) Due To:       |                            |                    |                                    |                    |                      |
| Revenue Accruals                    | 868,977                    | 10,852             | 9,307                              | 8,869              | 0                    |
| Expenditure Accruals                | (29,825)                   | (423)              | 9,584                              | 122,398            | 2,843                |
| Encumbrances                        | (152,261)                  | (67,546)           | (173,301)                          | (124,472)          | 0                    |
| Debt Service - Principal Retirement | 0                          | 0                  | 0                                  | 0                  | (1,623,000)          |
| Note Proceeds                       | 0                          | 0                  | 0                                  | 0                  | 1,451,000            |
| Unrecorded Cash - 2007              | (24,216)                   | 0                  | 0                                  | 0                  | 0                    |
| Unrecorded Cash - 2008              | (24,705)                   | 0                  | 0                                  | 0                  | 0                    |
| Advances                            | 93,802                     | 0                  | 0                                  | 0                  | 0                    |
| Budget Basis                        | <u>\$1,046,975</u>         | <u>(\$230,248)</u> | <u>(\$305,273)</u>                 | <u>(\$169,439)</u> | <u>(\$35,281)</u>    |

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

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

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

**Investments**

As of December 31, 2008, the City had the following investments:

|                                                       | Fair Value         | Investment Maturities<br>(in Years) |                  | S&P<br>Rating | Percent of<br>Total<br>Investments |
|-------------------------------------------------------|--------------------|-------------------------------------|------------------|---------------|------------------------------------|
|                                                       |                    | Less than 1                         | 1-5              |               |                                    |
| Federal Home Loan Mortgage Corporation Notes          | \$601,327          | \$352,216                           | \$249,111        | AAA           | 20.13%                             |
| Federal Home Loan Mortgage Corporation Discount Notes | 74,970             | 74,970                              | 0                | AAA           | 2.51%                              |
| Federal National Mortgage Association Notes           | 410,490            | 265,261                             | 145,229          | AAA           | 13.74%                             |
| Federal National Mortgage Association Discount Notes  | 214,930            | 214,930                             | 0                | AAA           | 7.20%                              |
| Federal Home Loan Bank Notes                          | 607,913            | 477,891                             | 130,022          | AAA           | 20.35%                             |
| Federal Home Loan Bank Discount Notes                 | 269,965            | 269,965                             | 0                | AAA           | 9.04%                              |
| Federal Farm Credit Bank Notes                        | 73,653             | 0                                   | 73,653           | AAA           | 2.47%                              |
| US Treasury Notes                                     | 212,793            | 212,793                             | 0                | AAA           | 7.12%                              |
| Negotiable Certificates of Deposit                    | 397,990            | 100,068                             | 297,922          | N/A           | 13.32%                             |
| STAROhio                                              | 123,049            | 123,049                             | 0                | AAAm          | 4.12%                              |
| <b>Totals</b>                                         | <b>\$2,987,080</b> | <b>\$2,091,143</b>                  | <b>\$895,937</b> |               | <b>100.00%</b>                     |

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 6 – DEPOSITS AND INVESTMENTS** (continued)

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

**NOTE 7 – MUNICIPAL INCOME TAX**

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

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

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

**NOTE 8 – PROPERTY TAX**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 8 – PROPERTY TAX** (continued)

Tangible personal property taxes received in 2008 are levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Riverside. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all City operations for the year ended December 31, 2008, was \$11.34 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

| <u>Category</u>           | <u>Assessed Value</u>       |
|---------------------------|-----------------------------|
| Real Estate               | \$280,843,960               |
| Public Utility Personal   | 4,229,320                   |
| General Business Personal | 4,873,871                   |
| Totals                    | <u><u>\$289,947,151</u></u> |

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 9 – RECEIVABLES**

Receivables at December 31, 2008, consisted of accounts, interest on investments, intergovernmental receivables arising from grants, entitlements or shared revenues, income taxes, property taxes, other local taxes, and special assessments. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, income taxes, and special assessments. Property 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 \$55,200. The City had \$2,471 in delinquent special assessments at December 31, 2008.

The City entered into a loan agreement with the Riverside Community Improvement Corporation (CIC), in which the CIC is repaying the City for the bond anticipation note issued by the City on behalf of the CIC for the purpose of acquiring real estate for economic development within the City. The loan agreement is for \$120,380. The balance relating to this agreement at December 31, 2008, is \$109,941, and is shown as “Due from Component Unit” on the financial statements. None of this amount is expected to be repaid within one year.

A summary of the principal items of intergovernmental receivables follows:

|                                    |                           |
|------------------------------------|---------------------------|
| <u>Governmental Activities:</u>    |                           |
| Homestead and Rollback             | \$176,465                 |
| County Local Government            | 232,132                   |
| State Local Government             | 23,048                    |
| Gasoline Excise Tax                | 253,435                   |
| Motor Vehicle License Tax          | 68,941                    |
| Cents per Gallon                   | 121,150                   |
| Estate Tax                         | 30,605                    |
| Permissive Tax                     | 67,798                    |
| OCJS/VOCA Grant                    | 2,132                     |
| COAF Grant                         | 81,500                    |
| Montgomery County Sanitary         | 6,005                     |
| Montgomery County Court            | 3,564                     |
| City of Dayton                     | 348                       |
| City of Huber Heights              | 2,303                     |
| Total Intergovernmental Receivable | <u><u>\$1,069,426</u></u> |

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 10 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2008, was as follows:

|                                             | <u>Balance At</u><br><u>12/31/2007</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance At</u><br><u>12/31/2008</u> |
|---------------------------------------------|----------------------------------------|--------------------|------------------|----------------------------------------|
| <u>Governmental Activities:</u>             |                                        |                    |                  |                                        |
| Capital Assets, Not Being Depreciated:      |                                        |                    |                  |                                        |
| Land                                        | \$2,804,350                            | \$0                | \$0              | \$2,804,350                            |
| Depreciable Capital Assets:                 |                                        |                    |                  |                                        |
| Land Improvements                           | 115,294                                | 0                  | 0                | 115,294                                |
| Buildings and Building Improvements         | 2,459,674                              | 7,026              | 0                | 2,466,700                              |
| Machinery and Equipment                     | 1,876,713                              | 136,001            | 0                | 2,012,714                              |
| Vehicles                                    | 3,124,131                              | 6,800              | 27,145           | 3,103,786                              |
| Infrastructure                              | 3,091,343                              | 166,599            | 0                | 3,257,942                              |
| Total Depreciable Capital Assets            | <u>10,667,155</u>                      | <u>316,426</u>     | <u>27,145</u>    | <u>10,956,436</u>                      |
| Less Accumulated Depreciation:              |                                        |                    |                  |                                        |
| Land Improvements                           | (63,443)                               | (4,670)            | 0                | (68,113)                               |
| Buildings and Building Improvements         | (459,072)                              | (58,444)           | 0                | (517,516)                              |
| Machinery and Equipment                     | (991,507)                              | (158,758)          | 0                | (1,150,265)                            |
| Vehicles                                    | (2,430,904)                            | (238,419)          | (27,145)         | (2,642,178)                            |
| Infrastructure                              | (212,335)                              | (128,347)          | 0                | (340,682)                              |
| Total Accumulated Depreciation              | <u>(4,157,261)</u>                     | <u>(588,638)</u>   | <u>(27,145)</u>  | <u>(4,718,754)</u>                     |
| Depreciable Capital Assets, Net             | <u>6,509,894</u>                       | <u>(272,212)</u>   | <u>0</u>         | <u>6,237,682</u>                       |
| Governmental Activities Capital Assets, Net | <u>\$9,314,244</u>                     | <u>(\$272,212)</u> | <u>\$0</u>       | <u>\$9,042,032</u>                     |

Depreciation expense was charged to governmental programs as follows:

|                                    |                  |
|------------------------------------|------------------|
| General Government                 | \$35,333         |
| Security of Persons and Property   | 261,736          |
| Public Health Services             | 12,151           |
| Leisure Time Activities            | 279,195          |
| Community and Economic Development | 65               |
| Transportation                     | 158              |
| Total Depreciation Expense         | <u>\$588,638</u> |

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$97,437, \$109,411, and \$115,973, respectively; 93.41 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$9,559 made by the City and \$6,828 made by plan members.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (continued)

**B. Ohio Police and Fire Pension Fund**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City’s contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City’s contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City’s contributions to OP&F for police and firefighters were \$243,700 and \$160,559 for the year ended December 31, 2008, \$222,317 and \$145,637 for the year ended December 31, 2007, and \$186,182 and \$142,817 for the year ended December 31, 2006. 71.22 percent for police and 70.29 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 12 – POSTEMPLOYMENT BENEFITS** (continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$92,854, \$80,024, and \$58,811, respectively; 93.41 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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

**B. Ohio Police and Fire Pension Fund**

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

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 12 – POSTEMPLOYMENT BENEFITS** (continued)

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

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

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$129,018 and \$62,827 for the year ended December 31, 2008, \$117,697 and \$56,988 for the year ended December 31, 2007, and \$122,801 and \$68,113 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 71.22 percent has been contributed for police and 70.29 percent has been contributed for firefighters for 2008.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 13 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

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

**B. Insurance Benefits**

Full-time City employees are provided medical/surgical and vision benefits from Medical Mutual of Ohio. The City pays 90 percent for non-union employees and 87 percent for union employees of the monthly premiums for the employees. The premium varies with each employee depending on the plan and coverage selected. Dental insurance is provided through Superior Dental Care. Life insurance is provided through Lincoln Life Insurance. Department heads and administrative staff receive an amount equal to their annual salary in life insurance up to \$50,000; the City Manager receives two times his annual salary; police, fire, and street union employees receive \$30,000 in coverage.

**C. Deferred Compensation**

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE**

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

Capital assets acquired by lease were initially capitalized in the amount of \$360,454 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in 2008 totaled \$115,433 in the governmental funds.

The assets acquired through capital lease as of December 31, 2008, are as follows:

|                  | Asset<br>Value   | Accumulated<br>Depreiation | Net Book<br>Value |
|------------------|------------------|----------------------------|-------------------|
| Copier Equipment | \$6,337          | \$6,337                    | \$0               |
| Police Cruisers  | 175,418          | 146,182                    | 29,236            |
| Street Sweeper   | 148,233          | 123,528                    | 24,705            |
| Phone System     | 30,466           | 24,372                     | 6,094             |
|                  | <u>\$360,454</u> | <u>\$300,419</u>           | <u>\$60,035</u>   |

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008:

| Year Ending<br>December 31,             | Amount          |
|-----------------------------------------|-----------------|
| 2009                                    | \$7,027         |
| 2010                                    | 4,099           |
| Total                                   | 11,126          |
| Less: Amount representing Interest      | (517)           |
| Present Value of Minimum Lease Payments | <u>\$10,609</u> |

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

The change in the City’s long-term obligations during 2008 consisted of the following:

|                                                                                | Balance at<br>December 31,<br>2007 | Issued    | Retired   | Balance at<br>December 31,<br>2008 | Due Within<br>One Year |
|--------------------------------------------------------------------------------|------------------------------------|-----------|-----------|------------------------------------|------------------------|
| <u>Governmental Activities:</u>                                                |                                    |           |           |                                    |                        |
| <u>Bond Anticipation Notes:</u>                                                |                                    |           |           |                                    |                        |
| 2004 Sidewalk Special Assessment<br>Bond Anticipation Note - 3.05%<br>\$96,000 | \$40,138                           | \$0       | \$19,768  | \$20,370                           | \$20,370               |
| <u>General Obligation Bonds:</u>                                               |                                    |           |           |                                    |                        |
| 2005 Various Purpose Bonds -<br>Unvoted 4.15 % \$2,154,168                     | 1,723,348                          | 0         | 215,419   | 1,507,929                          | 215,419                |
| <u>Other Long-Term Obligations:</u>                                            |                                    |           |           |                                    |                        |
| Compensated Absences                                                           | 161,555                            | 282,699   | 264,504   | 179,750                            | 163,722                |
| Capital Leases                                                                 | 126,042                            | 0         | 115,433   | 10,609                             | 6,588                  |
| Total Other Long-Term Obligations                                              | 287,597                            | 282,699   | 379,937   | 190,359                            | 170,310                |
| Total Governmental Activities                                                  | \$2,051,083                        | \$282,699 | \$615,124 | \$1,718,658                        | \$406,099              |

The 2004 Sidewalk Special Assessment Bond Anticipation Note was issued on May 7, 2004, in the amount of \$96,000 for the purpose of paying the cost of making sidewalk improvements in the City. The note was issued at a 3.05 percent interest rate and will be fully paid on May 7, 2009. The notes are being paid from the Street / Public Service Special Revenue Fund using special assessment revenues. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

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

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

Compensated absences will be paid from the General Fund and the Fire, Street / Public Service, and Police Special Revenue Funds. Capital lease obligations will be paid from the General Fund, Police Special Revenue Fund, and the Street/Public Service Special Revenue Fund.

The City's overall legal debt margin was \$27,517,500 and the unvoted legal debt margin was \$13,020,142 at December 31, 2008.

Principal and interest requirements to retire the City's outstanding long-term notes and general obligation bonds at December 31, 2008, were:

| Year      | Bond Anticipation Notes |              | General Obligation Bonds |                  |
|-----------|-------------------------|--------------|--------------------------|------------------|
|           | Principal               | Interest     | Principal                | Interest         |
| 2009      | \$20,370                | \$622        | \$215,419                | \$62,579         |
| 2010      | 0                       | 0            | 215,419                  | 53,639           |
| 2011      | 0                       | 0            | 215,419                  | 44,700           |
| 2012      | 0                       | 0            | 215,419                  | 35,760           |
| 2013      | 0                       | 0            | 215,419                  | 26,820           |
| 2014-2015 | 0                       | 0            | 430,834                  | 26,820           |
| Total     | <u>\$20,370</u>         | <u>\$622</u> | <u>\$1,507,929</u>       | <u>\$250,318</u> |

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 16 – SHORT-TERM OBLIGATIONS**

A summary of the note transactions for the year ended December 31, 2008, follows:

| <u>Types/Issues</u>                                                 | <u>Balance at<br/>December 31,<br/>2007</u> | <u>Issued</u>             | <u>Retired</u>            | <u>Balance at<br/>December 31,<br/>2008</u> |
|---------------------------------------------------------------------|---------------------------------------------|---------------------------|---------------------------|---------------------------------------------|
| 2007 Real Estate Acquisition<br>Bond Anticipation Note - 3.87%      | \$723,000                                   | \$0                       | \$723,000                 | \$0                                         |
| 2007 Center of Flight Improvement<br>Bond Anticipation Note - 3.47% | 900,000                                     | 0                         | 900,000                   | 0                                           |
| 2008 Real Estate Acquisition Bond<br>Anticipation Note - 4.31%      | 0                                           | 651,000                   | 0                         | 651,000                                     |
| 2008 Center of Flight Improvement<br>Bond Anticipation Note - 3.73% | 0                                           | 800,000                   | 0                         | 800,000                                     |
| <b>Total Governmental Activities</b>                                | <b><u>\$1,623,000</u></b>                   | <b><u>\$1,451,000</u></b> | <b><u>\$1,623,000</u></b> | <b><u>\$1,451,000</u></b>                   |

The Real Estate Acquisition Bond Anticipation Note was issued for the purpose of paying the cost of acquiring real estate for economic development in the City. During 2008, the City paid \$723,000 and reissued \$651,000. The note will mature on October 30, 2009 and will be paid from the DAP Facility Special Revenue Fund.

The Center of Flight Improvement Bond Anticipation Note was issued for the purpose of acquiring and constructing public improvements. During 2008, the City paid \$900,000 and reissued \$800,000. The note will mature on December 19, 2009 and will be paid from the DAP Facility Special Revenue Fund.

**NOTE 17 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the City participated in the Public Entities Pool of Ohio (PEP), a risk sharing pool. The purpose of PEP is to enable the subscribing political subdivisions to pool risk for property, liability and public official liability. PEP is a corporation governed by a seven member board of directors, consisting of representatives elected by the participating local governments.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 17 – RISK MANAGEMENT** (continued)

Political subdivisions joining PEP may withdraw at the end of any coverage period upon 60 days prior written notice to PEP. Under the agreement, members who terminate participation in PEP as well as current members, are subject to a supplemental assessment or a refund at the discretion of the board of directors, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds, due to the limited period of time that PEP has been in existence and the nature of the coverage that is afforded to the participants.

The City pays an annual “premium” to PEP for the coverage they are provided, based on rates established by PEP, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a “surplus contribution” that is used to fund the activities of PEP. During 2008, the City of Riverside made premium payments of \$116,427 to PEP. There was no required surplus contribution in 2008.

The agreement provides that PEP will be self-sustaining through member premiums. The types of coverage and deductibles per occurrence are as follows:

| <u>Type of Coverage</u>              | <u>Coverage</u> | <u>Deductible</u> |
|--------------------------------------|-----------------|-------------------|
| Municipal General Liability          | \$2,000,000     | \$0               |
| Public Official                      | 2,000,000       | 5,000             |
| Municipal Automobile Liability       | 2,000,000       | 1,000             |
| Municipal Automobile Physical Damage | 2,000,000       | 500 - 1,000       |
| Police Professional Liability        | 2,000,000       | 5,000             |

PEP retains general, automobile, police professional and public official’s liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$2,000,000 in aggregate per year.

Automobile physical damage risks are retained by PEP up to \$25,000 for each accident and location. Reinsurance coverage is provided at different levels depending on the type of vehicle.

All property risks, which include physical damage coverage on specialized-use vehicles (fire trucks and emergency vehicles), are fully reinsured. Property risks up to \$25,000 are reinsured on an individual-member basis.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from last year.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 17 – RISK MANAGEMENT** (continued)

Professional liability is protected by the Cincinnati Insurance Company. Performance bonds for employees range from \$10,000 to \$50,000 with specific bonds for the Finance Director.

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

**NOTE 18 – INTERFUND ACTIVITY**

Interfund balances at December 31, 2008, consisted of the following amounts and result from moving unrestricted balances to support the Valley Street reconstruction project due to a grant timing issue, and is expected to be paid within one year.

|                             |                             |
|-----------------------------|-----------------------------|
|                             | <u>Interfund Receivable</u> |
| <u>Interfund Payable</u>    | <u>General Fund</u>         |
| Nonmajor Governmental Funds | \$98,100                    |

Transfers made during the year ended December 31, 2008, were as follows:

| <b>Transfers From</b> | <b>Transfers To</b> |                                 |                |                         |                   | <b>Total</b> |
|-----------------------|---------------------|---------------------------------|----------------|-------------------------|-------------------|--------------|
|                       | Fire<br>Fund        | Street / Public<br>Service Fund | Police<br>Fund | DAP<br>Facility<br>Fund | Nonmajor<br>Funds |              |
| General Fund          | \$746,447           | \$413,224                       | \$2,352,974    | \$201,050               | \$109,550         | \$3,823,245  |

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Regional Planning Commission**

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Riverside. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$12,010 for the operation of the Commission during 2008. Financial information may be obtained by writing to Donald Spang, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

**B. Miami Valley Fire/EMS Alliance**

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full-time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full-time employees. Payments to the Alliance are made from the Fire Special Revenue Fund. The City contributed \$5,651 for the operation of the Alliance during 2008. Financial information may be obtained by writing to Scott Anding, Executive Director, at 444 West Third Street, Suite 20-231, Dayton, Ohio, 45402.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS** (continued)

**C. Economic Development/Government Equity Program**

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

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for eleven years, ending December 31, 2011. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the General Fund. The City received \$80,451 in contributions from ED/GE during 2008. Financial information may be obtained by writing to Pamela Frannin, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.

**NOTE 20 – RELATED ORGANIZATION**

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

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

---

**NOTE 21 – RISK SHARING POOL**

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

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

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

**NOTE 22 – CONTINGENT LIABILITIES**

**A. Litigation**

The City of Riverside is a party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**B. Federal and State Grants**

For the period January 1, 2008, to December 31, 2008, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**City of Riverside**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2008

**NOTE 23 – RIVERSIDE COMMUNITY IMPROVEMENT CORPORATION**

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

**A. Basis of Accounting**

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

**B. Long-Term Obligations**

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

|                                                                         | Balance at<br>December 31,<br>2007 | Issued | Retired | Balance at<br>December 31,<br>2008 | Due Within<br>One Year |
|-------------------------------------------------------------------------|------------------------------------|--------|---------|------------------------------------|------------------------|
| 1999 Riverside Community Improvement Corporation Loan - 0.00% \$120,380 | \$109,941                          | \$0    | \$0     | \$109,941                          | \$0                    |

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



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverside, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated July 31, 2009.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also note certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 31, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.

July 31, 2009

**City of Riverside**  
**Montgomery County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended December 31, 2008*

---

| Finding Number | Finding Summary                                     | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|-----------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------|
| 2007-001       | Significant Deficiency Proper Recording of Revenues | Yes              | Fully Corrected                                                                                                           |



Mary Taylor, CPA  
Auditor of State

**CITY OF RIVERSIDE  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 6, 2009**