



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF RICHMOND HEIGHTS
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups - December 31, 1999	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - December 31, 1999	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types - December 31, 1999	10
Notes to the General Purpose Financial Statements - December 31, 1999	15
Combined Balance Sheet - All Fund Types and Account Groups - December 31, 1998	36
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - December 31, 1998	40
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types - December 31, 1998	42
Notes to the General Purpose Financial Statements - December 31, 1998	47
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	67

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City of Richmond Heights
Cuyahoga County
457 Richmond Road
Richmond Heights, Ohio 44143

To the Members of City Council:

We have audited the accompanying general-purpose financial statements of the City of Richmond Heights, Cuyahoga County, Ohio, (the City) as of and for the years ended December 31, 1999 and December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Richmond Heights, Cuyahoga County, Ohio, as of December 31, 1999 and December 31, 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying financial statements, during calendar year 1998 the City changed its method of accounting for investments and its deferred compensation plans and restated the beginning fund balance for the general long term obligations accounts group due to an overstatement of capital leases payable. In calendar year 1999, the City made adjustments to the beginning fund balance of the general long term obligations accounts group and to the Special Revenue Fund because of an overstatement of an intergovernmental payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 16, 2000

This page intentionally left blank.

This page intentionally left blank.

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Assets and Other Debits</i>			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$896,899	\$930,128	\$91,872
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	2,263
Receivables:			
Taxes	1,793,801	908,098	594,214
Accounts	60,460	0	0
Special Assessments	0	0	678,627
Accrued Interest	4,353	0	0
Due from Other Governments	48,039	44,014	0
Materials and Supplies			
Inventory	6,392	29,114	0
Prepaid Items	31,804	0	0
Fixed Assets	0	0	0
Other Debits			
Amount Available in Debt Service	0	0	0
Amount to be Provided from General Government Resources	0	0	0
Amount to be Provided from Special Assessments	0	0	0
<i>Total Assets and Other Debits</i>	\$2,841,748	\$1,911,354	\$1,366,976

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$1,708,461	\$317,264	\$0	\$0	\$3,944,624
0	0	0	0	2,263
0	0	0	0	3,296,113
0	0	0	0	60,460
0	0	0	0	678,627
970	0	0	0	5,323
56,850	0	0	0	148,903
0	0	0	0	35,506
0	0	0	0	31,804
0	0	5,593,997	0	5,593,997
0	0	0	91,872	91,872
0	0	0	5,531,275	5,531,275
0	0	0	14,946	14,946
<u>\$1,766,281</u>	<u>\$317,264</u>	<u>\$5,593,997</u>	<u>\$5,638,093</u>	<u>\$19,435,713</u>

(continued)

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity And Other Credits			
Liabilities			
Accounts Payable	\$79,593	\$15,719	\$0
Contracts Payable	9,657	2,810	0
Accrued Wages and Benefits	13,555	50,656	0
Compensated Absences Payable	42,322	24,568	0
Due to Other Governments	66,793	133,551	0
Deferred Revenue	1,015,447	908,098	1,272,841
Deposits Held and Due to Others	0	0	0
Matured Interest Payable	0	0	2,263
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
Police and Fire Pension Liability	0	0	0
OWDA Loans Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0
<i>Total Liabilities</i>	<u>1,227,367</u>	<u>1,135,402</u>	<u>1,275,104</u>
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	26	156	0
Reserved for Inventory	6,392	29,114	0
Unreserved, Undesignated	1,607,963	746,682	91,872
<i>Total Fund Equity and Other Credits</i>	<u>1,614,381</u>	<u>775,952</u>	<u>91,872</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$2,841,748</u>	<u>\$1,911,354</u>	<u>\$1,366,976</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$78,168	\$0	\$0	\$0	\$173,480
61,455	0	0	0	73,922
0	0	0	0	64,211
0	0	0	549,000	615,890
0	5,003	0	11,509	216,856
0	0	0	0	3,196,386
0	312,261	0	0	312,261
0	0	0	0	2,263
8,894	0	0	0	8,894
1,425,000	0	0	0	1,425,000
0	0	0	54,017	54,017
0	0	0	2,808,567	2,808,567
0	0	0	2,200,054	2,200,054
0	0	0	14,946	14,946
<u>1,573,517</u>	<u>317,264</u>	<u>0</u>	<u>5,638,093</u>	<u>11,166,747</u>
0	0	5,593,997	0	5,593,997
240	0	0	0	422
0	0	0	0	35,506
<u>192,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,639,041</u>
<u>192,764</u>	<u>0</u>	<u>5,593,997</u>	<u>0</u>	<u>8,268,966</u>
<u>\$1,766,281</u>	<u>\$317,264</u>	<u>\$5,593,997</u>	<u>\$5,638,093</u>	<u>\$19,435,713</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1999*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$3,855,611	\$0
Property and Other Taxes	850,241	807,431
Charges for Services	2,222	244,127
Fees, Licenses and Permits	282,902	0
Fines and Forfeiture	139,843	0
Intergovernmental	535,027	473,893
Special Assessments	0	0
Interest	140,144	0
Rent	31,215	0
Other	114,480	2,933
	<u>5,951,685</u>	<u>1,528,384</u>
Expenditures		
Current:		
General Government	1,209,446	59,930
Security of Persons and Property	2,033,344	1,684,623
Transportation	544,000	395,252
Community Environment	11,602	560
Basic Utility Services	272,421	1,358
Leisure Time Activities	157,444	89,959
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	647
Interest and Fiscal Charges	0	2,316
	<u>4,228,257</u>	<u>2,234,645</u>
<i>Total Expenditures</i>		
	<u>4,228,257</u>	<u>2,234,645</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,723,428</u>	<u>(706,261)</u>
Other Financing Sources (Uses)		
Proceeds of OWDA Loans	0	0
Proceeds of Bonds	0	0
Operating Transfers In	25,000	935,000
Operating Transfers Out	(1,410,000)	(25,000)
	<u>(1,385,000)</u>	<u>910,000</u>
<i>Total Other Financing Sources (Uses)</i>		
	<u>(1,385,000)</u>	<u>910,000</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	<u>338,428</u>	<u>203,739</u>
<i>Fund Balances (Deficit) Beginning of Year (Restated - Note 3)</i>	1,278,595	559,339
Increase (Decrease) in Reserve for Inventory	(2,642)	12,874
<i>Fund Balances End of Year</i>	<u>\$1,614,381</u>	<u>\$775,952</u>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$3,855,611
469,187	0	2,126,859
0	0	246,349
0	0	282,902
0	0	139,843
61,577	352,875	1,423,372
125,179	0	125,179
0	20,377	160,521
0	0	31,215
629	0	118,042
<u>656,572</u>	<u>373,252</u>	<u>8,509,893</u>
2,247	0	1,271,623
0	0	3,717,967
0	0	939,252
0	0	12,162
0	0	273,779
0	0	247,403
0	1,529,108	1,529,108
481,506	155,844	637,997
204,510	54,308	261,134
<u>688,263</u>	<u>1,739,260</u>	<u>8,890,425</u>
<u>(31,691)</u>	<u>(1,366,008)</u>	<u>(380,532)</u>
0	585,646	585,646
0	996,847	996,847
83,709	400,000	1,443,709
0	(8,709)	(1,443,709)
<u>83,709</u>	<u>1,973,784</u>	<u>1,582,493</u>
52,018	607,776	1,201,961
39,854	(415,012)	1,462,776
0	0	10,232
<u>\$91,872</u>	<u>\$192,764</u>	<u>\$2,674,969</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types
 For The Year Ended December 31, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$3,543,228	\$3,543,228	\$0
Property and Other Taxes	852,131	852,131	0
Charges for Services	2,222	2,222	0
Fees, Licenses and Permits	282,902	282,902	0
Fines and Forfeitures	159,352	159,352	0
Intergovernmental	506,942	506,942	0
Special Assessments	0	0	0
Interest	145,550	145,550	0
Rent	31,215	31,215	0
Other	116,355	116,355	0
<i>Total Revenues</i>	<u>5,639,897</u>	<u>5,639,897</u>	<u>0</u>
Expenditures			
Current:			
General Government	1,301,151	1,252,325	48,826
Security of Persons and Property	2,092,785	2,023,315	69,470
Transportation	594,146	548,011	46,135
Community Environment	11,385	11,184	201
Basic Utility Services	295,000	272,421	22,579
Leisure Time Activities	171,843	158,920	12,923
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,466,310</u>	<u>4,266,176</u>	<u>200,134</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,173,587</u>	<u>1,373,721</u>	<u>200,134</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds of OWDA Loans	0	0	0
Operating Transfers In	25,000	25,000	0
Operating Transfers Out	(1,450,000)	(1,410,000)	40,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,425,000)</u>	<u>(1,385,000)</u>	<u>40,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(251,413)	(11,279)	240,134
<i>Fund Balances Beginning of Year</i>	897,129	897,129	0
Prior Year Encumbrances Appropriated	1,776	1,776	0
<i>Fund Balances End of Year</i>	<u>\$647,492</u>	<u>\$887,626</u>	<u>\$240,134</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
800,548	800,548	0	466,456	466,456	0
250,346	250,346	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
452,829	452,829	0	61,577	61,577	0
0	0	0	125,179	125,179	0
0	0	0	0	0	0
0	0	0	0	0	0
2,933	2,933	0	629	629	0
<u>1,506,656</u>	<u>1,506,656</u>	<u>0</u>	<u>653,841</u>	<u>653,841</u>	<u>0</u>
75,000	70,008	4,992	6,113	2,247	3,866
2,168,024	1,678,635	489,389	0	0	0
449,062	411,566	37,496	0	0	0
10,000	560	9,440	0	0	0
10,000	1,358	8,642	0	0	0
95,000	88,547	6,453	0	0	0
0	0	0	0	0	0
0	0	0	481,506	481,506	0
0	0	0	212,381	204,510	7,871
<u>2,807,086</u>	<u>2,250,674</u>	<u>556,412</u>	<u>700,000</u>	<u>688,263</u>	<u>11,737</u>
<u>(1,300,430)</u>	<u>(744,018)</u>	<u>556,412</u>	<u>(46,159)</u>	<u>(34,422)</u>	<u>11,737</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
935,000	935,000	0	83,709	83,709	0
(25,000)	(25,000)	0	0	0	0
<u>910,000</u>	<u>910,000</u>	<u>0</u>	<u>83,709</u>	<u>83,709</u>	<u>0</u>
(390,430)	165,982	556,412	37,550	49,287	11,737
747,540	747,540	0	39,854	39,854	0
4,086	4,086	0	0	0	0
<u>\$361,196</u>	<u>\$917,608</u>	<u>\$556,412</u>	<u>\$77,404</u>	<u>\$89,141</u>	<u>\$11,737</u>

(continued)

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types (continued)
 For The Year Ended December 31, 1999*

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fees, Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	328,037	328,037	0
Special Assessments	0	0	0
Interest	19,407	19,407	0
Rent	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>347,444</u>	<u>347,444</u>	<u>0</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	2,412,727	1,641,198	771,529
Debt Service:			
Principal Retirement	1,880,844	1,880,844	0
Interest and Fiscal Charges	59,886	59,886	0
<i>Total Expenditures</i>	<u>4,353,457</u>	<u>3,581,928</u>	<u>771,529</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,006,013)</u>	<u>(3,234,484)</u>	<u>771,529</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	996,847	996,847	0
Proceeds of Notes	1,425,000	1,425,000	0
Proceeds of OWDA Loans	585,646	585,646	0
Operating Transfers In	400,000	400,000	0
Operating Transfers Out	(8,709)	(8,709)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,398,784</u>	<u>3,398,784</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(607,229)</u>	<u>164,300</u>	<u>771,529</u>
<i>Fund Balances Beginning of Year</i>	1,541,712	1,541,712	0
Prior Year Encumbrances Appropriated	2,209	2,209	0
<i>Fund Balances End of Year</i>	<u>\$936,692</u>	<u>\$1,708,221</u>	<u>\$771,529</u>

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,543,228	\$3,543,228	\$0
2,119,135	2,119,135	0
252,568	252,568	0
282,902	282,902	0
159,352	159,352	0
1,349,385	1,349,385	0
125,179	125,179	0
164,957	164,957	0
31,215	31,215	0
119,917	119,917	0
<u>8,147,838</u>	<u>8,147,838</u>	<u>0</u>
1,382,264	1,324,580	57,684
4,260,809	3,701,950	558,859
1,043,208	959,577	83,631
21,385	11,744	9,641
305,000	273,779	31,221
266,843	247,467	19,376
2,412,727	1,641,198	771,529
2,362,350	2,362,350	0
272,267	264,396	7,871
<u>12,326,853</u>	<u>10,787,041</u>	<u>1,539,812</u>
<u>(4,179,015)</u>	<u>(2,639,203)</u>	<u>1,539,812</u>
996,847	996,847	0
1,425,000	1,425,000	0
585,646	585,646	0
1,443,709	1,443,709	0
<u>(1,483,709)</u>	<u>(1,443,709)</u>	<u>40,000</u>
<u>2,967,493</u>	<u>3,007,493</u>	<u>40,000</u>
(1,211,522)	368,290	1,579,812
3,226,235	3,226,235	0
8,071	8,071	0
<u>\$2,022,784</u>	<u>\$3,602,596</u>	<u>\$1,579,812</u>

This page intentionally left blank.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 1 - Reporting Entity

The City of Richmond Heights is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective January 1, 1960. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

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 Richmond Heights consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Richmond Heights this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

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 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 budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and a jointly governed organization. These organizations are the Northern Ohio Risk Management Association (NORMA) and the East Suburban Regional Council of Governments (ESCOG). These organizations are presented in Notes 10 and 17 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary. Each category in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Governmental Fund Types. Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

General Fund. This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds. These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund. The debt service fund is used to account for the accumulation of financial resources for, and the payment of general and special assessment long-term obligation principal, interest and related cost.

Capital Projects Funds. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups. To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. The general fixed assets account group is used to account for all general fixed assets of the City.

General Long-Term Obligations Account Group. The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The basis of accounting and reporting treatment applied to a fund is determined by its measurement focus.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and agency funds. Under this method of accounting, the City recognizes revenues and other financing sources when they become both measurable and available (i.e. collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimates Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amount reported on the budgetary statements reflects the amounts in the final amended official certificate of estimated resources issued during 1999.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available. Total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The City chooses to amend their appropriations once a year at the end of the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

D. Cash and Cash Equivalents

Cash received by the City is deposited into one central bank account. Monies from all funds are pooled in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the City's records.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due. The balance of this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1999 amounted to \$140,144 which includes \$103,667 assigned from other City funds.

For purposes of the presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventory is stated at cost for governmental funds on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

G. Fixed Assets and Depreciation

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets consist of sewer lines. Other infrastructure fixed assets such as streets, sidewalks and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed asset values were initially determined at December 31, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City has elected not to record depreciation in the general fixed assets account group.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized. Improvements are capitalized.

H. 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 employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based upon the sick leave accumulated at December 31, 1999, by those employees who are expected to become eligible in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

I. Accrued Liabilities and Long Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds, long-term loans, and capital leases are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, including amounts legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventories of supplies and materials.

K. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as due from other governments and revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

L. Interfund Transactions

During the normal course of operations, the City has transactions between funds. Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. 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 these estimates.

N. Total Columns on the General Purpose Financial Statements

The "Total" columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Restatement of Prior Year's Fund Equity

Intergovernmental payable in the fire pension special revenue fund was overstated in the prior year. The fund balance in the special revenue funds at December 31, 1998, of \$549,314 was restated by \$10,025 to \$559,339.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 3 - Restatement of Prior Year's Fund Equity (Continued)

The general long-term obligations account group at December 31, 1998, was restated by \$273,538 from \$4,954,128 to \$4,680,590. This is due to the understatement of intergovernmental payables and an overstatement OWDA loans payable.

Note 4 - Fund Accountability

The street resurfacing capital projects fund had a deficit fund balance of \$916,879 at December 31, 1999. This deficit is the result of the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit fund balance will be eliminated.

Note 5 - Budgetary Basis Of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unreported 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 statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 5 - Budgetary Basis Of Accounting (Continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$338,428	\$203,739	\$52,018	\$607,776
Net Adjustment for Revenue Accruals	(307,133)	(9,537)	0	(25,808)
Unrecorded Cash	(4,655)	(12,191)	(2,731)	0
Note Proceeds	0	0	0	1,425,000
Net Adjustment for Expenditure Accruals	(33,301)	(15,700)	0	(111,850)
Principal Retirement	0	0	0	(1,725,000)
Interest and Fiscal Charges	0	0	0	(5,578)
Encumbrances	(4,618)	(329)	0	(240)
Budget Basis	<u>(\$11,279)</u>	<u>\$165,982</u>	<u>\$49,287</u>	<u>\$164,300</u>

Note 6 - Deposits and Investments

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

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

Interim monies can be deposited or invested in the following:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 6 - Deposits and Investments (Continued)

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 provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 6 - Deposits and Investments (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits. At year-end, the carrying amount of the City's deposits was \$3,946,887 and the bank balance was \$4,015,673. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$3,715,673 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. For the purpose of classification under GASB Statement No. 3, the City did not have any investments at year end.

Note 7 - Receivables

Receivables at December 31, 1999 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 1999 for real and public utility property taxes represents collections of the 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 7 - Receivables (Continued)

A. Property Taxes (Continued)

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999, was \$13.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agriculture	\$143,938,940
Other Real Estate	59,143,440
Tangible Personal Property	
Public Utility	5,760,600
General Tangible Personal Property	13,396,250
Total	\$222,239,230

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 in the county, including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is offset by deferred revenue.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 7 - Receivables (Continued)

B. Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality, not to exceed one percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Richmond Heights. In 1999, the proceeds were allocated one hundred percent to the general fund.

C. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 1999 follows:

	Amount
General Fund:	
Local Government	\$33,667
Court Collection	12,550
Liquor Permits	1,282
Miscellaneous	540
	48,039
Total General Fund	48,039
Special Revenue Funds:	
Street Construction, Maintenance and Repair	41,262
State Highway	2,752
	44,014
Total Special Revenue Funds	44,014
Capital Projects Funds	
Capital Improvements	56,850
	56,850
Total Intergovernmental Receivables	\$148,903

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 8 - Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/99	Additions	Deductions	Balance 12/31/99
Land	\$558,360	\$0	\$0	\$558,360
Improvements to Land	48,694	0	0	48,694
Buildings	1,197,466	14,329	0	1,211,795
Machinery and Equipment	751,941	52,313	0	804,254
Vehicles	1,364,963	60,840	0	1,425,803
Infrastructure	1,545,091	0	0	1,545,091
<i>Total</i>	<u>\$5,466,515</u>	<u>\$127,482</u>	<u>\$0</u>	<u>\$5,593,997</u>

Note 9 - 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 disaster. In October 1987, the City joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA) for the purpose of providing property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is maintained through the general fund. Claims have not exceeded coverage provided by NORMA in any of the last three years and there were no significant reductions in coverage from the prior year.

The City also elected to join the NORMA Pool for Workers' Compensation. The Group Rating Plan is administered by Comp-Management, Inc. who is paid an annual fee of \$3,248. The NORMA Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

Note 10 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool that is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon and South Euclid for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the mayor from each of the participating members.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 10 - Shared Risk Pool (Continued)

Each entity must remain a member for at least three years from the commencement date of October 1, 1987 with the exception of Eastlake and Solon whose commencement date is October 1, 1989 and Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self insurance pool with any excess paid from the stop loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 1999, the City of Richmond Heights paid \$25,031 in premiums which represents 5.4 percent of the total premiums. Financial information can be obtained by contacting the Finance Director at the City of Bedford Heights, who serves as the fiscal agent.

Note 11 - Long-Term Obligations

Changes in long-term obligations of the City during 1999 are as follows:

	<u>Balance 12/31/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/99</u>
General Obligation Bonds:				
1990 6.85%				
Street Improvements	\$495,000	\$0	(\$245,000)	\$250,000
1992 5.62%				
Street Improvements	445,000	0	(100,000)	345,000
1994 5.67%				
City Hall, Sidewalks, Underground Storage	287,471	0	(42,417)	245,054
1998 4.74%				
Street Improvements	400,000	0	(35,000)	365,000
1999 4.32%				
Street Improvements	<u>0</u>	<u>995,000</u>	<u>0</u>	<u>995,000</u>
<i>Total General Obligation Bonds</i>	<u>1,627,471</u>	<u>995,000</u>	<u>(422,417)</u>	<u>2,200,054</u>
1994 4.00-5.55%				
Special Assessment Bonds	<u>17,529</u>	<u>0</u>	<u>(2,583)</u>	<u>14,946</u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

	Balance 12/31/98	Additions	Deductions	Balance 12/31/99
OWDA Loans:				
4.56% Monticello Avenue Sewer	\$173,569	\$0	(\$7,546)	\$166,023
4.56% Chardon Road Sewer	1,554,126	0	(48,960)	1,505,166
4.12% Brushview Road Sewer	561,097	32,208	(155,844)	437,461
Highland Rd. - Meadowlane	27,284	553,438	0	580,722
Skyline Drive Sewer	119,195	0	0	119,195
<i>Total OWDA Loans</i>	<u>2,435,271</u>	<u>585,646</u>	<u>(212,350)</u>	<u>2,808,567</u>
Other Long-term Obligations:				
Police and Fire Pension Liability	54,664	0	(647)	54,017
Compensated Absences	545,655	3,345	0	549,000
Intergovernmental Payable	0	11,509	0	11,509
<i>Total Other Long-term Obligations</i>	<u>600,319</u>	<u>14,854</u>	<u>(647)</u>	<u>614,526</u>
<i>Grand Total</i>	<u>\$4,680,590</u>	<u>\$1,595,500</u>	<u>(\$637,997)</u>	<u>\$5,638,093</u>

The City's overall legal debt margin was \$19,801,937 at December 31, 1999. The unvoted legal debt margin was \$8,689,976. Principal and interest requirements to retire the long-term general obligation bonds, police and fire pension obligation, Ohio Water Development Authority (OWDA) loans, and special assessment bonds as of December 31, 1999 are as follows:

	General Obligation Bonds	Police & Fire Pension	OWDA Loan	Special Assessment Bonds	Totals
2000	\$637,733	\$1,481	\$150,786	\$3,383	\$793,383
2001	366,466	1,481	166,947	3,537	538,431
2002	362,166	1,481	166,947	3,387	533,981
2003	241,603	1,481	166,947	3,520	413,551
2004	237,550	1,481	166,950	3,635	409,616
2005-2009	790,713	7,405	834,735	0	1,632,853
2010-2014	0	7,405	834,735	0	842,140
2015-2019	0	7,405	698,352	0	705,757
2020-2035	0	24,397	16,161	0	40,558
<i>Totals</i>	<u>\$2,636,231</u>	<u>\$54,017</u>	<u>\$3,202,560</u>	<u>\$17,462</u>	<u>\$5,910,270</u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 11 - Long-Term Obligations (Continued)

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The Street Improvement general obligation bonds were issued at a premium of \$1,847. Special assessment bonds will be paid from special assessment proceeds levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The Monticello Avenue Sewer, Chardon Road Sewer, and Brushview Road Sewer projects are complete and are being paid from the bond retirement fund. The City also entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for the Highland Road and Skyline Drive loans; however, since the loans have not been finalized, repayment schedules are not included in the schedule of debt service requirements.

The police and fire pension liability will be paid from levied taxes in the police pension fund. Compensated absences and intergovernmental payable will be paid by the fund from which the employee's salary is paid.

Note 12 - Note Debt

The City's note activity, including amounts outstanding, interest rates and the capital projects fund in which the note liability is reported is as follows:

	Balance 12/31/98	Additions	Reductions	Outstanding 12/31/99
Capital Projects Funds				
Street Resurfacing Fund				
1996 4.36%	\$950,000	\$0	\$950,000	\$0
1998 4.25%	775,000	0	775,000	0
1998 4.35%	0	825,000	0	825,000
1999 4.28%	0	600,000	0	600,000
Total Notes	<u>\$1,725,000</u>	<u>\$1,425,000</u>	<u>\$1,725,000</u>	<u>\$1,425,000</u>

All of the notes are backed by the full faith and credit of the City of Richmond Heights and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 13 - Contingencies

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

Note 14 - Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned vacation time is paid upon termination of employment.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 14 - Compensated Absences (Continued)

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for accumulated, unused sick leave, up to a maximum number of hours. The maximum number of hours for most City employees is 600, except for fire department union members, for whom the maximum is 690.

As of December 31, 1999, the liability for unpaid compensated absences was \$615,890 for the entire City.

Note 15 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998 and 1997 were \$131,559 \$107,841, and \$90,376, respectively. The full amount has been contributed for 1998 and 1997. 76.14 percent has been contributed for 1999 with the remainder being reported as a fund liability.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer public employee retirement system administered by the PFDPF's Board of Trustees. The PFDPF 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 by Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and for 1999 the City was required to contribute 12.5 percent for police and 17 percent for firefighters. For 1998 the City contributions were 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$150,495 and \$155,871 for the year ended December 31, 1999, \$142,119 and \$163,613 for 1998 and \$122,931 and 149,908 for 1997. The full amount has been contributed for 1998 and 1997. 71.87 percent and 70.97 percent, respectively, have been contributed for 1999 with the remainder being reported as a fund liability.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the liability of the City was \$54,017, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 16 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service employees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investments income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$59,096.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll was applied to the postemployment health care program during 1999. For 1998 the percent used to fund healthcare was 6.5 percent. This allocation will be raised to 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$84,277 for police and \$64,182 for fire. PFDPF's total health care expenses for the year ended December 31, 1998, (the latest information available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

Note 17 - Jointly Governed Organization

The Eastern Suburban Regional Council of Governments (ESCOG) was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. The governing body of ESCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates according to a written agreement establishing ESCOG pursuant to Ohio Revised Code Chapter 167.

The Council adopts a budget for ESCOG annually. Each member municipality's degree of control is limited to its representation on the Council. The Council established a subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members. In 1999, the City contributed \$12,500 which represents 16 percent of the total contributions.

Note 18 - Subsequent Events

In April 2000, the City issued a Bond Anticipation Note for a new fire truck in the amount of \$350,000 and issued General Obligation Bonds for street improvements in the amount of \$875,000.

This page intentionally left blank.

This page intentionally left blank.

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1998

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Assets and Other Debits</i>			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$898,905	\$751,626	\$39,854
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	2,263
Receivables:			
Taxes	1,474,408	894,181	523,019
Accounts	75,222	11,527	0
Special Assessments	0	0	146,851
Accrued Interest	4,890	0	0
Due from Other Governments	23,331	22,950	0
Materials and Supplies Inventory	9,034	16,240	0
Prepaid Items	29,264	0	0
Fixed Assets	0	0	0
Other Debits			
Amount Available in Debt Service			
Fund for Retirement of General Obligation Bonds	0	0	0
Amount to be Provided from General Government Resources	0	0	0
Amount to be Provided from Special Assessments	0	0	0
<i>Total Assets and Other Debits</i>	\$2,515,054	\$1,696,524	\$711,987

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$1,543,921	\$340,384	\$0	\$0	\$3,574,690
0	0	0	0	2,263
0	0	0	0	2,891,608
0	0	0	0	86,749
0	0	0	0	146,851
0	0	0	0	4,890
32,012	0	0	0	78,293
0	0	0	0	25,274
0	0	0	0	29,264
0	0	5,466,515	0	5,466,515
0	0	0	39,854	39,854
0	0	0	4,896,745	4,896,745
0	0	0	17,529	17,529
<u>\$1,575,933</u>	<u>\$340,384</u>	<u>\$5,466,515</u>	<u>\$4,954,128</u>	<u>\$17,260,525</u>

(continued)

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1998

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Liabilities, Fund Equity</i>			
<i>And Other Credits</i>			
Liabilities			
Accounts Payable	\$80,758	\$31,934	\$0
Contracts Payable	0	0	0
Intergovernmental Payable	101,880	137,906	0
Accrued Wages and Benefits	24,283	58,715	0
Compensated Absences Payable	35,760	24,474	0
Due to Other Governments	0	0	0
Deferred Revenue	993,778	894,181	669,870
Deposits Held and Due to Others	0	0	0
Matured Interest Payable	0	0	2,263
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
Police and Fire Pension Liability	0	0	0
OWDA Loans Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0
<i>Total Liabilities</i>	1,236,459	1,147,210	672,133
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Reserved for Encumbrances	548	513	0
Reserved for Inventory	9,034	16,240	0
Unreserved, Undesignated (Deficit)	1,269,013	532,561	39,854
<i>Total Fund Equity and Other Credits (Deficit)</i>	1,278,595	549,314	39,854
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$2,515,054	\$1,696,524	\$711,987

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$112,692
248,836	0	0	0	248,836
2,637	0	0	0	242,423
0	0	0	0	82,998
0	0	0	545,655	605,889
0	2,808	0	0	2,808
0	0	0	0	2,557,829
0	337,576	0	0	337,576
0	0	0	0	2,263
14,472	0	0	0	14,472
1,725,000	0	0	0	1,725,000
0	0	0	54,664	54,664
0	0	0	2,708,809	2,708,809
0	0	0	1,627,471	1,627,471
0	0	0	17,529	17,529
<u>1,990,945</u>	<u>340,384</u>	<u>0</u>	<u>4,954,128</u>	<u>10,341,259</u>
0	0	5,466,515	0	5,466,515
0	0	0	0	1,061
0	0	0	0	25,274
<u>(415,012)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,426,416</u>
<u>(415,012)</u>	<u>0</u>	<u>5,466,515</u>	<u>0</u>	<u>6,919,266</u>
<u>\$1,575,933</u>	<u>\$340,384</u>	<u>\$5,466,515</u>	<u>\$4,954,128</u>	<u>\$17,260,525</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1998*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$3,506,237	\$0
Property and Other Taxes	1,043,566	742,843
Charges for Services	4,744	187,783
Fees, Licenses and Permits	291,530	0
Fines and Forfeiture	205,490	0
Intergovernmental	439,691	419,649
Special Assessments	0	0
Interest	123,447	0
Rent	26,545	0
Other	81,405	11,477
	5,722,655	1,361,752
<i>Total Revenues</i>		
Expenditures		
Current:		
General Government	1,352,525	52,374
Security of Persons and Property	1,841,898	1,774,885
Transportation	490,379	276,989
Community Environment	12,183	1,506
Basic Utility Services	302,038	3,838
Leisure Time Activities	174,272	69,595
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	619
Interest and Fiscal Charges	0	2,343
	4,173,295	2,182,149
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	1,549,360	(820,397)
Other Financing Sources (Uses)		
Proceeds of OWDA Loans	0	0
Operating Transfers In	20,000	875,000
Operating Transfers Out	(1,100,000)	(20,000)
	(1,080,000)	855,000
<i>Total Other Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses</i>	469,360	34,603
<i>Fund Balances (Deficit) at Beginning of Year</i>	804,853	518,585
Increase (Decrease) in Reserve for Inventory	4,382	(3,874)
<i>Fund Balances (Deficit) at End of Year</i>	\$1,278,595	\$549,314

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$0	\$0	\$3,506,237
430,375	0	2,216,784
0	0	192,527
0	0	291,530
0	0	205,490
57,098	541,051	1,457,489
17,776	0	17,776
0	7,638	131,085
0	0	26,545
0	35,137	128,019
<u>505,249</u>	<u>583,826</u>	<u>8,173,482</u>
0	0	1,404,899
0	0	3,616,783
0	0	767,368
0	0	13,689
0	0	305,876
0	0	243,867
0	1,198,141	1,198,141
407,213	0	407,832
136,362	14,472	153,177
<u>543,575</u>	<u>1,212,613</u>	<u>8,111,632</u>
<u>(38,326)</u>	<u>(628,787)</u>	<u>61,850</u>
0	202,489	202,489
33,643	200,000	1,128,643
0	(8,643)	(1,128,643)
<u>33,643</u>	<u>393,846</u>	<u>202,489</u>
(4,683)	(234,941)	264,339
44,537	(180,071)	1,187,904
0	0	508
<u>\$39,854</u>	<u>(\$415,012)</u>	<u>\$1,452,751</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 1998*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$3,448,269	\$3,448,269	\$0
Property and Other Taxes	1,040,791	1,040,791	0
Charges for Services	4,744	4,744	0
Fees, Licenses and Permits	291,530	291,530	0
Fines and Forfeitures	191,764	191,764	0
Intergovernmental	439,126	439,126	0
Special Assessments	0	0	0
Interest	118,164	118,164	0
Rent	26,545	26,545	0
Other	80,755	80,755	0
<i>Total Revenues</i>	<u>5,641,688</u>	<u>5,641,688</u>	<u>0</u>
Expenditures			
Current:			
General Government	1,379,310	1,336,441	42,869
Security of Persons and Property	1,874,891	1,835,457	39,434
Transportation	506,700	488,578	18,122
Community Environment	11,580	11,013	567
Basic Utility Services	306,000	302,038	3,962
Leisure Time Activities	185,650	172,695	12,955
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,264,131</u>	<u>4,146,222</u>	<u>117,909</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,377,557</u>	<u>1,495,466</u>	<u>117,909</u>
Other Financing Sources (Uses)			
Proceeds of Notes	0	0	0
Proceeds of OWDA Loans	0	0	0
Operating Transfers In	20,000	20,000	0
Operating Transfers Out	(1,100,000)	(1,100,000)	0
<i>Total Other Sources (Uses)</i>	<u>(1,080,000)</u>	<u>(1,080,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	297,557	415,466	117,909
<i>Fund Balances Beginning of Year</i>	481,446	481,446	0
Prior Year Encumbrances Appropriated	217	217	0
<i>Fund Balances End of Year</i>	<u>\$779,220</u>	<u>\$897,129</u>	<u>\$117,909</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
742,843	742,843	0	430,375	430,375	0
194,606	194,606	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
420,104	420,114	10	57,098	57,098	0
0	0	0	17,776	17,776	0
0	0	0	0	0	0
0	0	0	0	0	0
7,905	7,905	0	0	0	0
<u>1,365,458</u>	<u>1,365,468</u>	<u>10</u>	<u>505,249</u>	<u>505,249</u>	<u>0</u>
72,000	52,374	19,626	8,787	8,137	650
1,831,412	1,764,758	66,654	0	0	0
311,691	270,623	41,068	0	0	0
2,500	1,506	994	0	0	0
4,345	4,338	7	0	0	0
71,850	69,828	2,022	0	0	0
0	0	0	0	0	0
0	0	0	407,213	407,213	0
0	0	0	134,000	128,225	5,775
<u>2,293,798</u>	<u>2,163,427</u>	<u>130,371</u>	<u>550,000</u>	<u>543,575</u>	<u>6,425</u>
<u>(928,340)</u>	<u>(797,959)</u>	<u>130,381</u>	<u>(44,751)</u>	<u>(38,326)</u>	<u>6,425</u>
0	0	0	0	0	0
0	0	0	0	0	0
875,000	875,000	0	33,643	33,643	0
(20,000)	(20,000)	0	0	0	0
<u>855,000</u>	<u>855,000</u>	<u>0</u>	<u>33,643</u>	<u>33,643</u>	<u>0</u>
(73,340)	57,041	130,381	(11,108)	(4,683)	6,425
688,751	688,751	0	44,537	44,537	0
1,748	1,748	0	0	0	0
<u>\$617,159</u>	<u>\$747,540</u>	<u>\$130,381</u>	<u>\$33,429</u>	<u>\$39,854</u>	<u>\$6,425</u>

(continued)

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For The Year Ended December 31, 1998*

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fees, Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	641,312	641,312	0
Special Assessments	0	0	0
Interest	7,638	7,638	0
Rent	0	0	0
Other	35,137	35,137	0
<i>Total Revenues</i>	<u>684,087</u>	<u>684,087</u>	<u>0</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	1,161,386	999,230	162,156
Debt Service:			
Principal Retirement	850,000	850,000	0
Interest and Fiscal Charges	9,666	9,666	0
<i>Total Expenditures</i>	<u>2,021,052</u>	<u>1,858,896</u>	<u>162,156</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,336,965)</u>	<u>(1,174,809)</u>	<u>162,156</u>
Other Financing Sources (Uses)			
Proceeds of Notes	1,725,000	1,725,000	0
Proceeds of OWDA Loans	202,489	202,489	0
Operating Transfers In	200,000	200,000	0
Operating Transfers Out	(8,643)	(8,643)	0
<i>Total Other Sources (Uses)</i>	<u>2,118,846</u>	<u>2,118,846</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	781,881	944,037	162,156
<i>Fund Balances Beginning of Year</i>	597,674	597,674	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,379,555</u></u>	<u><u>\$1,541,711</u></u>	<u><u>\$162,156</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,448,269	\$3,448,269	\$0
2,214,009	2,214,009	0
199,350	199,350	0
291,530	291,530	0
191,764	191,764	0
1,557,640	1,557,650	10
17,776	17,776	0
125,802	125,802	0
26,545	26,545	0
123,797	123,797	0
<u>8,196,482</u>	<u>8,196,492</u>	<u>10</u>
1,460,097	1,396,952	63,145
3,706,303	3,600,215	106,088
818,391	759,201	59,190
14,080	12,519	1,561
310,345	306,376	3,969
257,500	242,523	14,977
1,161,386	999,230	162,156
1,257,213	1,257,213	0
143,666	137,891	5,775
<u>9,128,981</u>	<u>8,712,120</u>	<u>416,861</u>
<u>(932,499)</u>	<u>(515,628)</u>	<u>416,871</u>
1,725,000	1,725,000	0
202,489	202,489	0
1,128,643	1,128,643	0
(1,128,643)	(1,128,643)	0
<u>1,927,489</u>	<u>1,927,489</u>	<u>0</u>
994,990	1,411,861	416,871
1,812,408	1,812,408	0
1,965	1,965	0
<u>\$2,809,363</u>	<u>\$3,226,234</u>	<u>\$416,871</u>

This page intentionally left blank.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity

The City of Richmond Heights is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective January 1, 1960. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

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 Richmond Heights consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Richmond Heights this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

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 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 budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and a jointly governed organization. These organizations are the Northern Ohio Risk Management Association (NORMA) and the East Suburban Regional Council of Governments (ESCOG). These organizations are presented in Notes 10 and 17 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary. Each category in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Governmental Fund Types. Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

General Fund. This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds. These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund. The debt service fund is used to account for the accumulation of financial resources for, and the payment of general and special assessment long-term obligation principal, interest and related cost.

Capital Projects Funds. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups. To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. The general fixed assets account group is used to account for all general fixed assets of the City.

General Long-Term Obligations Account Group. The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The basis of accounting and reporting treatment applied to a fund is determined by its measurement focus.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and agency funds. Under this method of accounting, the City recognizes revenues and other financing sources when they become both measurable and available (i.e. collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1998 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimates Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amount reported on the budgetary statements reflects the amounts in the final amended official certificate of estimated resources issued during 1998.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity (Continued)

C. Budgetary Process (Continued)

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available. Total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The City chooses to amend their appropriations once a year at the end of the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

D. Cash and Cash Equivalents

Cash received by the City is deposited into one central bank account. Monies from all funds are pooled in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the City's records. For presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash equivalents. The City has no investments.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due. The balance of this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 1998 amounted to \$123,447 which includes \$90,505 assigned from other City funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventory is stated at cost for governmental funds on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

G. Fixed Assets and Depreciation

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets consist of sewer lines. Other infrastructure fixed assets such as streets, sidewalks and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed asset values were initially determined at December 31, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City has elected not to record depreciation in the general fixed assets account group.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized. Improvements are capitalized.

H. 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 employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based upon the sick leave accumulated at December 31, 1998, by those employees who are expected to become eligible in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

I. Accrued Liabilities and Long Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 1 - Reporting Entity (Continued)

J. Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditures, including amounts legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials.

K. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as due from other governments and revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

L. Interfund Transactions

During the normal course of operations, the City has transactions between funds. Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. 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 these estimates.

N. Total Columns on the General Purpose Financial Statements

The "Total" columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 3 - Change in Accounting Principles and Restatement of Prior Year

For 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation of this statement did not result in any changes from the prior year.

The City has also implemented GASB Statement No 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Ohio Public Employees Plan. On September 1, 1998 Ohio Public Employees Plan created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees deferred compensation plan is no longer presented as part of the City's financial statements.

The general long-term obligations account group at December 31, 1997, was restated by \$1,821 from \$5,105,207 to \$5,103,386. This is due to an overstatement of capital leases payable.

Note 4 - Budgetary Basis Of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 4 - Budgetary Basis Of Accounting (Continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$469,360	\$34,603	(\$4,683)	(\$234,941)
Net Adjustment for Revenue Accruals	(80,967)	3,716	0	100,261
Note Proceeds	0	0	0	1,725,000
Net Adjustment for Expenditure Accruals	28,632	21,060	0	210,733
Principal Retirement	0	0	0	(850,000)
Interest and Fiscal Charges	0	0	0	(4,806)
Encumbrances	(1,776)	(4,086)	0	(2,210)
Prior Year Encumbrances	217	1,748	0	0
Budget Basis	<u>\$415,466</u>	<u>\$57,041</u>	<u>(\$4,683)</u>	<u>\$944,037</u>

Note 5 - Fund Accountability

The following funds had deficit fund balances at December 31, 1998:

	<u>Amount</u>
Capital Projects Funds:	
Sanitary Sewer	\$57,808
Street Resurfacing	1,186,462

The capital project deficits are the result of the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit fund balances will be eliminated.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 6 - Deposits and Investments

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

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

Interim monies can be deposited or invested in the following:

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 provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 6 - Deposits and Investments (Continued)

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

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

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

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits. At year-end, the carrying amount of the City's deposits was \$3,576,953 and the bank balance was \$3,701,754. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$3,401,754 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. The City did not have any investments at year end.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 7 - Receivables

Receivables at December 31, 1998 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1997. Real property taxes are payable annually or semi-annually. If paid annually, the first payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20, unless extended.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by single county taxpayers are due September 20. Multi-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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected.

The tax rate for all City operations for the year ended December 31, 1998, was \$13.30 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$141,183,330
Other Real Estate	58,587,530
Tangible Personal Property	
Public Utility	5,642,290
General Tangible Personal Property	14,237,448
Total	<u><u>\$219,650,598</u></u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 7 - Receivables (Continued)

B. Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality, not to exceed one percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Richmond Heights. In 1998, the proceeds were allocated one hundred percent to the general fund.

C. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 1998 follows:

	Amount
General Fund:	
Local Government	\$4,809
Court Collection	15,927
Liquor Permits	1,585
Miscellaneous	1,010
	23,331
Special Revenue Funds:	
Street Construction, Maintenance and Repair	\$21,430
State Highway	1,520
	22,950
Capital Projects Funds	
Capital Improvements	32,012
	\$78,293
	\$78,293

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 8 - Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/98	Additions	Deductions	Balance 12/31/98
Land	\$558,360	\$0	\$0	\$558,360
Improvements to Land	48,694	0	0	48,694
Buildings	1,018,635	178,831	0	1,197,466
Machinery and Equipment	730,626	21,315	0	751,941
Vehicles	1,304,475	60,488	0	1,364,963
Infrastructure	1,545,091	0	0	1,545,091
<i>Total</i>	<u>\$5,205,881</u>	<u>\$260,634</u>	<u>\$0</u>	<u>\$5,466,515</u>

Note 9 - 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 disaster. In October 1987, the City joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA) for the purpose of providing property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is maintained through the general fund. Claims have not exceeded coverage provided by NORMA in any of the last three years and there were no significant reductions in coverage from the prior year.

The City also elected to join the NORMA Pool for Workers' Compensation. The Group Rating Plan is administered by Comp-Management, Inc. who is paid an annual fee of \$3,248. The NORMA Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

Note 10 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool that is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon and South Euclid for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the mayor from each of the participating members.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 10 - Shared Risk Pool(Continued)

Each entity must remain a member for at least three years from the commencement date of October 1, 1987 with the exception of Eastlake and Solon whose commencement date is October 1, 1989 and Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self insurance pool with any excess paid from the stop loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 1998, the City of Richmond Heights paid \$25,172 in premiums which represents 6 percent of the total premiums. Financial information can be obtained by contacting the Finance Director at the City of Bedford Heights, who serves as the fiscal agent.

Note 11 - Contingencies

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

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 12 - Long-Term Obligations

Changes in long-term obligations of the City during 1998 are as follows:

	<u>Balance 12/31/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/98</u>
General Obligation Bonds:				
1990 6.85%				
Street Improvements	\$720,000	\$0	(\$225,000)	\$495,000
1992 5.62%				
Street Improvements	540,000	0	(95,000)	445,000
1994 5.67%				
City Hall, Sidewalks, Underground Storage	329,888	0	(42,417)	287,471
1998 4.74%				
Street Improvements	<u>435,000</u>	<u>0</u>	<u>(35,000)</u>	<u>400,000</u>
<i>Total General Obligation Bonds</i>	<u>2,024,888</u>	<u>0</u>	<u>(397,417)</u>	<u>1,627,471</u>
1994 4.00-5.55%				
Special Assessment Bonds	<u>20,112</u>	<u>0</u>	<u>(2,583)</u>	<u>17,529</u>
OWDA Loans:				
4.56%				
Monticello Avenue Sewer	180,782	0	(7,213)	173,569
Chardon Road Sewer	1,867,603	6,664	0	1,874,267
Brushview Road Sewer	420,102	94,392	0	514,494
Highland Rd. - Meadowlane	0	27,284	0	27,284
Skyline Drive Sewer	<u>45,046</u>	<u>74,149</u>	<u>0</u>	<u>119,195</u>
<i>Total OWDA Loans</i>	<u>2,513,533</u>	<u>202,489</u>	<u>(7,213)</u>	<u>2,708,809</u>
Other Long-term Obligations:				
Police and Fire Pension Liability	55,283	0	(619)	54,664
Compensated Absences	<u>489,570</u>	<u>56,085</u>	<u>0</u>	<u>545,655</u>
<i>Total Other Long-term Obligations</i>	<u>544,853</u>	<u>56,085</u>	<u>(619)</u>	<u>600,319</u>
<i>Grand Total</i>	<u>\$5,103,386</u>	<u>\$266,932</u>	<u>(\$409,732)</u>	<u>\$4,954,128</u>

The City's overall legal debt margin was \$19,750,696 at December 31, 1998. The unvoted legal debt margin was \$8,768,166. Principal and interest requirements to retire the long-term general obligation bonds, police pension obligation, Ohio Water Development Authority (OWDA) loans, and special assessment bonds as of December 31, 1998 are as follows:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 12 - Long-Term Obligations (Continued)

	General Obligation	Police and Fire	OWDA	Special Assessment	
	<u>Bonds</u>	<u>Pension</u>	<u>Loan</u>	<u>Bonds</u>	<u>Totals</u>
1999	\$517,547	\$1,481	\$15,349	\$3,512	\$537,889
2000	511,174	1,481	15,349	3,383	531,387
2001	242,798	1,481	15,349	3,537	263,165
2002	236,644	1,481	15,349	3,387	256,861
2003	114,635	1,481	15,349	3,520	134,985
2004-2008	284,923	7,405	76,745	3,635	372,708
2009-2013	0	7,405	76,745	0	84,150
2014-2018	0	7,405	15,349	0	22,754
2019-2035	<u>0</u>	<u>25,044</u>	<u>0</u>	<u>0</u>	<u>25,044</u>
<i>Totals</i>	<u>\$1,907,721</u>	<u>\$54,664</u>	<u>\$245,584</u>	<u>\$20,974</u>	<u>\$2,228,943</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from special assessment proceeds levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The Monticello Avenue Sewer Ohio Water Development Authority (OWDA) project is complete and is being paid from the sanitary sewer construction capital projects fund. The City also entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for the Chardon Road, Brushview Road, Highland Road, and Skyline loans; however, since the loans have not been finalized, repayment schedules are not included in the schedule of debt service requirements. The police and fire pension liability will be paid from levied taxes in the police pension fund. Compensated absences will be paid by the fund from which the employee's salary is paid.

Note 13 - Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned vacation time is paid upon termination of employment.

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for accumulated, unused sick leave, up to a maximum number of hours. The maximum hours for the city hall staff and directors is 600, for the fire chief is 600, for service department union members is 600 hours, for civilian police union members is 600 hours, for police department union members is 600 hours, and for fire department union members is 690 hours.

As of December 31, 1998, the liability for unpaid compensated absences was \$605,889 for the entire City.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 14 - Note Debt

The City's note activity, including amounts outstanding, interest rates and the capital projects fund in which the note liability is reported is as follows:

	Balance 12/31/97	Additions	Reductions	Outstanding 12/31/98
Capital Projects Funds				
Street Resurfacing Fund				
1997 4.60% - matures 10/3/98	\$850,000	\$0	(\$850,000)	\$0
1996 & 1997 4.36%	0	950,000	0	950,000
1998 & 1999 4.25%	0	775,000	0	775,000
<i>Total Street Resurfacing Fund</i>	<u>850,000</u>	<u>1,725,000</u>	<u>(850,000)</u>	<u>1,725,000</u>
<i>Total Notes</i>	<u>\$850,000</u>	<u>\$1,725,000</u>	<u>\$850,000</u>	<u>\$1,725,000</u>

All of the notes are backed by the full faith and credit of the City of Richmond Heights and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 15 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997 and 1996 were \$107,841, \$90,376, and \$86,061, respectively. The full amount has been contributed for 1997 and 1996. 69.55 percent has been contributed for 1998 with the remainder being reported as a fund liability.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund 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 by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 15 - Defined Benefit Pension Plans (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters were \$142,119 and \$163,613 for the year ended December 31, 1998, \$122,931 and \$149,908 for 1997 and \$120,239 and 135,928 for 1996. The full amount has been contributed for 1997 and 1996. 71.84 percent and 67.17 percent, respectively, have been contributed for 1998 with the remainder being reported as a fund liability.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1998, the liability of the City was \$54,664, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

Note 16 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service employees with ten or more years of qualifying Ohio service credit and to the primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care for the year 1998.

For 1998, benefits are funded on a pay-as-you-go basis. Prior to 1997, benefits were advanced funded using the entry age normal costing method. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investments income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$38,640.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equaled 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1998

Note 16 - Postemployment Benefits (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997, was 11,239 for police and 9,025 for firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were \$86,740 for police and \$70,122 for fire. The Fund's total health care expenses for the year ending December 31, 1997 (the latest information available) were \$76,459,832, which was net of member contributions of \$5,331,515.

Note 17 - Jointly Governed Organization

The Eastern Suburban Regional Council of Governments (ESCOG) was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. The governing body of ESCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates according to a written agreement establishing ESCOG pursuant to Ohio Revised Code Chapter 167.

The Council adopts a budget for ESCOG annually. Each member municipality's degree of control is limited to its representation on the Council. In 1998, the City contributed \$15,000 which represents 16.7 percent of the total contributions.

The Council established on subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

City of Richmond Heights
Cuyahoga County
457 Richmond Road
Richmond Heights, Ohio 44143

To the Members of City Council:

We have audited the financial statements of the City of Richmond Heights, Cuyahoga County, Ohio, (the City), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 16, 2000, in which we noted during calendar year 1998 the City changed its method of accounting for investments and its deferred compensation plans and restated the beginning fund balance for the general long term obligations accounts group due to an overstatement of capital leases payable. In calendar year 1999, the City made adjustments to the beginning fund balance of the general long term obligations accounts group and to the Special Revenue Fund because of an overstatement of an intergovernmental payable. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 audits 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*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 16, 2000.

This report is intended for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 16, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF RICHMOND HEIGHTS

CUYAHOGA 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
JULY 25, 2000**