



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2002**



**Auditor of State  
Betty Montgomery**



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

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 year ended December 31, 2002, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 19, 2003

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**CITY OF RICHMOND HEIGHTS**

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b><i>Assets and Other Debits</i></b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,087,859	\$1,294,067	\$204,021
Cash and Cash Equivalents with			
Fiscal and Escrow Agents	0	0	2,263
Receivables:			
Taxes	3,165,150	1,024,446	781,610
Accounts	42,771	13,556	0
Special Assessments	0	0	3,395,518
Accrued Interest	8,703	0	0
Intergovernmental	140,477	175,892	49,078
Interfund	27,268	0	0
Materials and Supplies Inventory	3,275	89,638	0
Prepaid Items	38,686	0	0
Fixed Assets	0	0	0
<b>Other Debits</b>			
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
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$4,514,189</u></b>	<b><u>\$2,597,599</u></b>	<b><u>\$4,432,490</u></b>

See accompanying notes to the general purpose financial statements.



	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Capital Projects	Agency			
\$1,075,212	\$279,337	\$0	\$0	\$3,940,496
0	0	0	0	2,263
0	0	0	0	0
0	0	0	0	4,971,206
1,750	0	0	0	58,077
0	0	0	0	3,395,518
0	0	0	0	8,703
47,981	0	0	0	413,428
0	0	0	0	27,268
0	0	0	0	92,913
0	0	0	0	38,686
0	0	15,076,500	0	15,076,500
0	0	0	204,021	204,021
0	0	0	6,648,343	6,648,343
0	0	0	3,531,909	3,531,909
<u>\$1,124,943</u>	<u>\$279,337</u>	<u>\$15,076,500</u>	<u>\$10,384,273</u>	<u>\$38,409,331</u>

**CITY OF RICHMOND HEIGHTS**  
 Combined Balance Sheet  
 All Fund Types and Account Groups (continued)  
 December 31, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b><i>Liabilities, Fund Equity and Other Credits</i></b>			
<b>Liabilities</b>			
Accounts Payable	\$59,188	\$21,430	\$0
Contracts Payable	16,058	0	0
Accrued Wages and Benefits	34,991	84,473	0
Compensated Absences Payable	10,843	19,719	0
Intergovernmental Payable	22,959	0	0
Interfund Payable	0	0	0
Deferred Revenue	2,569,462	1,179,769	4,226,206
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 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>2,713,501</u>	<u>1,305,391</u>	<u>4,228,469</u>
<b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Fund Balances:			
Reserved for Inventory	3,275	89,638	0
Unreserved, Undesignated	1,797,413	1,202,570	204,021
<i>Total Fund Equity and Other Credits</i>	<u>1,800,688</u>	<u>1,292,208</u>	<u>204,021</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$4,514,189</u>	<u>\$2,597,599</u>	<u>\$4,432,490</u>

See accompanying notes to the general purpose financial statements.

	Fiduciary	Account Groups		Totals (Memorandum Only)
	Fund Type	General Fixed Assets	General Long-term Obligations	
Capital Projects	Agency			
\$95,274	\$0	\$0	\$0	\$175,892
211,602	0	0	0	227,660
0	0	0	0	119,464
0	0	0	829,583	860,145
0	0	0	377,480	400,439
27,268	0	0	0	27,268
0	0	0	0	7,975,437
0	279,337	0	0	279,337
0	0	0	0	2,263
15,781	0	0	0	15,781
1,400,000	0	0	0	1,400,000
0	0	0	51,907	51,907
0	0	0	3,525,303	3,525,303
0	0	0	5,593,394	5,593,394
0	0	0	0	0
0	0	0	6,606	6,606
<u>1,749,925</u>	<u>279,337</u>	<u>0</u>	<u>10,384,273</u>	<u>20,660,896</u>
0	0	15,076,500	0	15,076,500
0	0	0	0	0
(624,982)	0	0	0	92,913
<u>(624,982)</u>	<u>0</u>	<u>15,076,500</u>	<u>0</u>	<u>2,579,022</u>
<u>(624,982)</u>	<u>0</u>	<u>15,076,500</u>	<u>0</u>	<u>17,748,435</u>
<u>\$1,124,943</u>	<u>\$279,337</u>	<u>\$15,076,500</u>	<u>\$10,384,273</u>	<u>\$38,409,331</u>

**CITY OF RICHMOND HEIGHTS**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 All Governmental Fund Types  
 for the year ended December 31, 2002

	General	Special Revenue
<b>Revenues</b>		
Municipal Income Tax	\$4,165,685	\$0
Property and Other Taxes	1,349,316	995,458
Charges for Services	44,398	249,914
Fees, Licenses and Permits	137,185	8,864
Fines and Forfeitures	138,824	0
Intergovernmental	493,201	395,013
Special Assessments	0	0
Interest	94,110	0
Rent	43,158	0
Other	248,723	76,800
	<u>6,714,600</u>	<u>1,726,049</u>
<i>Total Revenues</i>		
<b>Expenditures</b>		
Current:		
General Government	1,169,860	14,611
Security of Persons and Property	2,574,616	2,109,237
Transportation	703,598	339,892
Community Environment	48,916	1,323
Basic Utility Services	331,688	0
Leisure Time Activities	239,172	119,588
Capital Outlay	0	0
Debt Service:		
Principal	0	703
Interest and Fiscal Charges	0	2,260
	<u>5,067,850</u>	<u>2,587,614</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,646,750</u>	<u>(861,565)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from Sale of Notes	0	0
Proceeds of Loans	0	0
Operating Transfers In	0	940,000
Operating Transfers Out	(1,353,256)	0
	<u>(1,353,256)</u>	<u>940,000</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	293,494	78,435
<i>Fund Balances, Beginning of Year</i>	1,510,907	1,178,512
Increase (Decrease) in Inventory	(3,713)	35,261
	<u>\$1,800,688</u>	<u>\$1,292,208</u>
<i>Fund Balances, End of Year</i>		

See accompanying notes to the general purpose financial statements.

Debt Service	Capital Projects	Totals (Memorandum Only)
\$0	\$0	\$4,165,685
784,318	0	3,129,092
0	0	294,312
0	0	146,049
0	0	138,824
91,718	242,889	1,222,821
231,466	0	231,466
0	0	94,110
0	0	43,158
0	80,713	406,236
<u>1,107,502</u>	<u>323,602</u>	<u>9,871,753</u>
0	0	1,184,471
0	0	4,683,853
0	0	1,043,490
0	0	50,239
0	0	331,688
0	0	358,760
0	4,755,485	4,755,485
677,402	24,043	702,148
413,291	32,087	447,638
<u>1,090,693</u>	<u>4,811,615</u>	<u>13,557,772</u>
<u>16,809</u>	<u>(4,488,013)</u>	<u>(3,686,019)</u>
0	0	0
0	256,640	256,640
0	413,256	1,353,256
<u>0</u>	<u>0</u>	<u>(1,353,256)</u>
<u>0</u>	<u>669,896</u>	<u>256,640</u>
16,809	(3,818,117)	(3,429,379)
187,212	3,193,135	6,069,766
<u>0</u>	<u>0</u>	<u>31,548</u>
<u>\$204,021</u>	<u>(\$624,982)</u>	<u>\$2,671,935</u>

**CITY OF RICHMOND HEIGHTS**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget (Non-GAAP) and Actual  
 All Governmental Fund Types  
 for the year ended December 31, 2002

	General Fund		
	Revised Budget	Actual	Variance
<b>Revenues</b>			
Municipal Income Tax	\$4,500,000	\$4,071,823	(\$428,177)
Property and Other Taxes	1,339,086	1,347,667	8,581
Charges for Services	34,500	40,468	5,968
Fees, Licenses and Permits	157,000	139,685	(17,315)
Fines and Forfeitures	160,000	142,510	(17,490)
Intergovernmental	461,489	497,116	35,627
Special Assessments	0	0	0
Interest	170,000	56,681	(113,319)
Rent	36,000	43,158	7,158
Other	245,714	241,416	(4,298)
<i>Total Revenues</i>	<u>7,103,789</u>	<u>6,580,524</u>	<u>(523,265)</u>
<b>Expenditures</b>			
Current:			
General Government	2,403,831	1,384,819	1,019,012
Security of Persons and Property	2,807,033	2,658,885	148,148
Transportation	798,525	712,924	85,601
Community Environment	14,270	13,339	931
Basic Utility Services	377,041	359,947	17,094
Leisure Time Activities	251,300	238,452	12,848
Capital Outlay	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>6,652,000</u>	<u>5,368,366</u>	<u>1,283,634</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>451,789</u>	<u>1,212,158</u>	<u>(760,369)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Notes	0	0	0
Proceeds of Loans	0	0	0
Advances In	0	0	0
Advances Out	(28,000)	(27,268)	732
Operating Transfers In	20,000	0	(20,000)
Operating Transfers Out	(1,500,000)	(1,353,256)	146,744
<i>Total Other Financing Sources (Uses)</i>	<u>(1,508,000)</u>	<u>(1,380,524)</u>	<u>127,476</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,056,211)</u>	<u>(168,366)</u>	<u>887,845</u>
<i>Fund Balances, Beginning of Year</i>	<u>1,162,497</u>	<u>1,162,497</u>	<u>0</u>
<i>Fund Balances, End of Year</i>	<u>\$106,286</u>	<u>\$994,131</u>	<u>\$887,845</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
\$0	\$0	\$0	\$0	\$0	\$0
1,010,526	995,457	(15,069)	789,452	784,319	(5,133)
230,000	262,435	32,435	0	0	0
0	0	0	0	0	0
2,000	8,863	6,863	0	0	0
439,000	394,798	(44,202)	100,000	91,718	(8,282)
0	0	0	200,000	231,465	31,465
0	0	0	0	0	0
0	0	0	0	0	0
88,000	62,942	(25,058)	1,000	0	(1,000)
<u>1,769,526</u>	<u>1,724,495</u>	<u>(45,031)</u>	<u>1,090,452</u>	<u>1,107,502</u>	<u>17,050</u>
46,000	21,302	24,698	0	0	0
2,670,000	2,093,250	576,750	0	0	0
532,000	371,747	160,253	0	0	0
52,000	1,659	50,341	0	0	0
0	0	0	0	0	0
175,000	119,147	55,853	0	0	0
0	0	0	0	0	0
0	0	0	630,691	677,402	(46,711)
0	0	0	629,499	413,291	216,208
<u>3,475,000</u>	<u>2,607,105</u>	<u>867,895</u>	<u>1,260,190</u>	<u>1,090,693</u>	<u>169,497</u>
<u>(1,705,474)</u>	<u>(882,610)</u>	<u>822,864</u>	<u>(169,738)</u>	<u>16,809</u>	<u>186,547</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,040,000	940,000	(100,000)	0	0	0
0	0	0	0	0	0
<u>1,040,000</u>	<u>940,000</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(665,474)</u>	<u>57,390</u>	<u>722,864</u>	<u>(169,738)</u>	<u>16,809</u>	<u>186,547</u>
<u>1,231,252</u>	<u>1,231,252</u>	<u>0</u>	<u>187,212</u>	<u>187,212</u>	<u>0</u>
<u>\$565,778</u>	<u>\$1,288,642</u>	<u>\$722,864</u>	<u>\$17,474</u>	<u>\$204,021</u>	<u>\$186,547</u>

(continued)

Capital Project Funds

Revised Budget	Actual	Variance
\$0	\$0	\$0
0	0	0
0	0	0
0	0	0
0	0	0
600,000	249,596	(350,404)
0	0	0
0	0	0
0	0	0
<u>65,000</u>	<u>80,713</u>	<u>15,713</u>
<u>665,000</u>	<u>330,309</u>	<u>(334,691)</u>
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
5,280,044	5,251,401	28,643
674,043	674,043	0
20,155	20,155	0
<u>5,974,242</u>	<u>5,945,599</u>	<u>28,643</u>
<u>(5,309,242)</u>	<u>(5,615,290)</u>	<u>(306,048)</u>
1,400,000	1,400,000	0
156,000	256,640	100,640
0	27,268	27,268
0	0	0
663,250	413,256	(249,994)
<u>0</u>	<u>0</u>	<u>0</u>
<u>2,219,250</u>	<u>2,097,164</u>	<u>(122,086)</u>
<u>(3,089,992)</u>	<u>(3,518,126)</u>	<u>(428,134)</u>
<u>4,263,995</u>	<u>4,263,995</u>	<u>0</u>
<u><u>\$1,174,003</u></u>	<u><u>\$745,869</u></u>	<u><u>(\$428,134)</u></u>



Totals  
(Memorandum Only)

Revised Budget	Actual	Variance
\$4,500,000	\$4,071,823	(\$428,177)
3,139,064	3,127,443	(11,621)
264,500	302,903	38,403
157,000	139,685	(17,315)
162,000	151,373	(10,627)
1,600,489	1,233,228	(367,261)
200,000	231,465	31,465
170,000	56,681	(113,319)
36,000	43,158	7,158
399,714	385,071	(14,643)
<u>10,628,767</u>	<u>9,742,830</u>	<u>(885,937)</u>
2,449,831	1,406,121	1,043,710
5,477,033	4,752,135	724,898
1,330,525	1,084,671	245,854
66,270	14,998	51,272
377,041	359,947	17,094
426,300	357,599	68,701
5,280,044	5,251,401	28,643
1,304,734	1,351,445	(46,711)
649,654	433,446	216,208
<u>17,361,432</u>	<u>15,011,763</u>	<u>2,349,669</u>
<u>(6,732,665)</u>	<u>(5,268,933)</u>	<u>1,463,732</u>
1,400,000	1,400,000	0
156,000	256,640	100,640
0	27,268	27,268
(28,000)	(27,268)	732
1,723,250	1,353,256	(369,994)
<u>(1,500,000)</u>	<u>(1,353,256)</u>	<u>146,744</u>
<u>1,751,250</u>	<u>1,656,640</u>	<u>(94,610)</u>
<u>(4,981,415)</u>	<u>(3,612,293)</u>	<u>1,369,122</u>
<u>6,844,956</u>	<u>6,844,956</u>	<u>0</u>
<u><u>\$1,863,541</u></u>	<u><u>\$3,232,663</u></u>	<u><u>\$1,369,122</u></u>

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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**Note 1 – Reporting Entity**

The City of Richmond Heights (City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The original charter became effective January 1, 1960 and provides for a mayor-council 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 the City consists 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 may be 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 the Northern Ohio Risk Management Association, which is a shared risk pool and the Eastern Suburban Regional Council of Governments, which is a jointly governed organization. These organizations are described in Notes 9 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 for 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.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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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:

***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.*** This 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 obligations 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.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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***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 current 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 modified accrual basis of accounting is followed for the Governmental and Agency Funds.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes, interest, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
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***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 the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department in the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of City Council.

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

***Estimated Resources*** The Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget 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 Tax 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 Tax 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 Director of Finance determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate of Estimated Resources issued during 2002.

***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 object level within each department in the General Fund and at the fund level for all other funds. The Appropriation Ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed the amount available as stated in the Certificate of Estimated Resources. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. During the year, a supplemental Appropriation Ordinance was passed which did not have significant affect on the original Appropriation Ordinance. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by City Council.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditures 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.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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***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.

***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.

During 2002, investments were limited to U.S. governmental agency securities and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as, non-negotiable certificates of deposit are reported at cost.

The City utilizes a financial institution to service certain 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 2002 amounted to \$94,110, which includes \$68,144 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 not purchased from the pool are reported as investments.

***E. Inventory***

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2002, 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.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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***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. A liability is accrued for employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates as of December 31, 2002, taking into consideration any limits specified in the City's termination policy.

For Governmental Fund Types, 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 employee 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 and contractually required pension contributions (Intergovernmental Payable) 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 long-term loans 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**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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***J. Interfund Transactions***

During the normal course of operations, the City may have 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 transfer of equity are reported as residual equity transfers. All other interfund transfers are reported as Operating Transfers.

***K. Fund Balance Reserves***

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 inventories of supplies and materials.

***L. 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.

***M. Total Columns on the General Purpose Financial Statements***

The "Total" columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 – Fund Accountability, Compliance and Restatement**

***A. Fund Deficits***

The Skyline, Sunset and Richmond Road Sanitary Sewer, Capital Projects Fund has a deficit fund balance of \$19,228 at December 31, 2002. This deficit is the result of short-term borrowing in anticipation of the receipt of loan proceeds to fund the project. Once repayment of the loan begins, the liability will be reported in the General Long-Term Obligations Account Group, and the deficit fund balance will be eliminated.

The Street Resurfacing, Capital Projects Fund has a deficit fund balance of \$1,341,410 at December 31, 2002. This deficit is the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once bonds are issued and the liability is reported in the General Long-Term Obligations Account Group, and the deficit fund balance will be eliminated.



**CITY OF RICHMOND HEIGHTS**  
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The Cary Jay and Dumbarton, Capital Projects Fund has a deficit fund balance of \$8,040 at December 31, 2002. This deficit is the result of short-term borrowing in anticipation of the receipt of loan proceeds to fund the project. Once repayment of the loan begins, the liability will be reported in the General Long-Term Obligations Account Group, and the deficit fund balance will be eliminated.

***B. Compliance***

According to Ordinance 94-2001, Section 11A, No.3, "Vacation time shall accrue to the employee upon each successive annual recurrence of the anniversary date of his/her appointment. Vacations shall be taken by an employee during the year after which it has been accrued and prior to the next recurrence of the anniversary date of his/her appointment, provided, that an employee may carry over or cash in a maximum of one-third of his/her earned annual vacation which must be used within the quarter year immediately following the employee's anniversary date for the year in which he/she was entitled to such vacation."

Our testing of employee vacation accruals identified a Service Department employee with a vacation balance of 492 hours at December 31, 2002.

The City was also in violation of Sections 20.6, 31.1 and 31.2 of the International Association of Fire Fighters, Local 2009, AFL-CIO Contract concerning compensation time balances and vacation accruals.

Ohio Revised Code Section 5705.41 (B) provides that expenditures and outstanding commitments (encumbrances) should not exceed appropriations. During 2002, several accounts had expenditures and outstanding commitments (encumbrances) in excess of appropriations

Ohio Revised Code Section 5705.41 (D) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During 2002, expenditures were made without the prior certification of the fiscal officer.

***C. Restatement***

The General Long-Term Obligations Account Group at December 31, 2001 increased by \$631,634 from \$10,136,313 to \$10,767,947 to include the liability for the Richmond Road (to Highland Road) Ohio Water Development Authority (OWDA) loan.

**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 are:

**CITY OF RICHMOND HEIGHTS**  
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- 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:

**Excess of Revenues and Other Financing Sources  
over (under) Expenditures and other Financing Uses**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
GAAP	\$293,494	\$78,435	\$16,809	(\$3,818,117)
Net Adjustment for Revenue Accruals	(129,418)	(1,554)	0	6,707
Fair Value Adjustment for Investments	(4,658)	0	0	0
Note Proceeds	0	0	0	1,400,000
Net Adjustment for Expenditure Accruals	(215,333)	(14,069)	0	(804,642)
Advances In	0	0	0	27,268
Advances Out	(27,268)	0	0	0
Encumbrances	(85,183)	(5,422)	0	(329,342)
Budget Basis	(\$168,366)	\$57,390	\$16,809	(\$3,518,126)

**Note 5 – Deposits and Investments**

The Ohio Revised Code classifies monies held by the City into these categories.

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

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

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

**CITY OF RICHMOND HEIGHTS**  
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Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 securities:

1. U. S. Treasury Notes, Bills, Bonds, or any other obligation or security issued by the U. S. 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 of Ohio Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 investment may be made only upon delivery of the securities representing the investments to the Director of Finance or qualified trustee, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**CITY OF RICHMOND HEIGHTS**  
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Petty Cash: The City had \$325 of petty cash which is not included in the ending cash balance.

**Deposits.** At year-end, the carrying amount of the City's deposits was \$1,169,111 and the bank balance was \$1,231,993. Of the bank balance: \$200,000 was covered by federal depository insurance.

1. \$1,031,993 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 Ohio Revised Code 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.

	<b>CATEGORY 3</b>	<b>FAIR VALUE</b>
U.S. Agency Securities	\$1,798,942	\$1,798,942
Victory Money Market Mutual Fund		974,706
		\$2,773,648

The Victory Money Market Mutual Fund is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows.

	<b>CASH AND CASH EQUIVALENTS/ DEPOSITS</b>	<b>INVESTMENTS</b>
GASB Statement 9	\$3,942,759	\$0
U.S. Agency Securities	(1,798,942)	1,798,942
Victory Money Market Mutual Fund	(974,706)	974,706
GASB Statement 3	\$1,169,111	\$2,773,648

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Notes to the General Purpose Financial Statements  
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**Note 6 – Receivables**

Receivables at December 31, 2002 consist primarily of Taxes, Accounts, Intergovernmental 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 2002 for real and public utility property taxes represents collections of the 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is the 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by the Ohio Revised Code at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003 operations.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2002, was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<b>CATEGORY</b>	<b>ASSESSED VALUE</b>
Real Estate	
Residential/Agriculture	\$169,689,900
Other Real Estate	86,151,730
Tangible Personal Property	
Public Utility	4,102,210
General Tangible Personal Property	19,490,575
<b>TOTAL</b>	<b>\$279,434,415</b>

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, the Ohio Revised Code 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 Cuyahoga County Treasurer collects property taxes on behalf of all taxing districts in the County including the City. The Cuyahoga County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivables represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001 and for which there is an enforceable legal

**CITY OF RICHMOND HEIGHTS**  
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claim. 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 2002 operations. The receivable is offset by Deferred Revenue.

***B. Intergovernmental Receivables***

A summary of intergovernmental receivables as of December 31, 2002 follows:

	<b>AMOUNT</b>
<b>General Fund</b>	
Homestead and Rollback Reimbursements	\$66,521
Local Government	60,953
Fines and Forfeitures	9,268
Liquor Permits	1,723
Miscellaneous	2,012
<i>Total General Fund</i>	140,477
<b>Special Revenue Funds</b>	
Street Construction	110,774
State Highway	8,982
Fire Service	47,360
Police Pension	4,388
Fire Pension	4,388
<i>Total Special Revenue Funds</i>	175,892
<b>Debt Service Fund</b>	
Bond Retirement	49,078
Capital Project Fund	
Capital Improvements	47,981
<i>Total Intergovernmental Receivables</i>	\$413,428

***C. 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 may 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. In 2002, the proceeds were allocated one hundred percent to the General Fund.

**CITY OF RICHMOND HEIGHTS**  
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**Note 7 – Fixed Assets**

A summary of changes in general fixed assets follows:

	<b>BALANCE</b>			<b>BALANCE</b>
	<b>12/31/2001</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>12/31/2002</b>
Land	\$558,360	\$0	\$0	\$558,360
Improvements to Land	260,813	360,380	0	621,193
Buildings	4,857,065	3,789,638	0	8,646,703
Machinery & Equipment	801,997	360,501	0	1,162,498
Vehicles	2,075,937	169,773	0	2,245,710
Infrastructure	1,545,091	296,945	0	1,842,036
Construction in Progress	1,038,904	0	1,038,904	0
<b>Total</b>	<b>\$11,138,167</b>	<b>\$4,977,237</b>	<b>\$1,038,904</b>	<b>\$15,076,500</b>

**Note 8 – Shared Risk Pool**

The City is a member of the Northern Ohio Risk Management Association (NORMA). NORMA is a joint self-insurance pool organized pursuant to Ohio Rev. Code 2744.081 and is defined as a shared risk pool for financial reporting purposes. It was established to enable its members to obtain property, liability and vehicle insurance through a formalized, jointly administered self-insurance fund.

Other members include the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Solon, South Euclid and the Village of Chagrin Falls. NORMA is governed by a Board of Trustees that consists of the Mayor from each of the participating members.

Each member must remain a member for at least three years from the commencement date of October 1, 1987 with the exception of the Cities Eastlake and Solon whose commencement date is October 1, 1989 and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each member 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 \$100,000 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 2002, the City paid \$27,638 in premiums which represent approximately seven percent of the total premium. Financial information about NORMA can be obtained by contacting Mark P. Cegelka, Finance Director, City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146, who serves as the fiscal agent.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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**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. To address such risks, the City joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA, see Note 8) 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 purchased 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 group rating plan for workers' compensation. The group rating plan is administered by CompManagement, Inc. who was paid an annual fee of \$2,013 in 2002. The NORMA group rating plan is intended to achieve lower workers' compensation premium rates for the participants. The City pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$100 of wages paid. The rate is based on the group's claim history and administrative costs. There are no additional contributions required by a participant other than their annual fee.

The City provides medical, dental, vision and prescription drug benefits for all full-time employees through the QualChoice Health Plan and the Delta Dental Plan of Ohio. Monthly premium payments are made from the General and Fire Service Funds. The expenses are allocated by the number of employees in each department multiplied by the fixed premium rate for each employee. The monthly premiums for all benefits are \$836.83 for family coverage and \$329.03 for single coverage.

**Note 10 – Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and local ordinances. 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 which is either 600 or 690 for all City employees.

As of December 31, 2002, the City's liability for unpaid compensated absences was \$829,583.



**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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**Note 11 – Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

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

For 2002 the City was required to contribute 8.55 percent of covered payroll and OPERS members employees were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Contributions rates are authorized by the Ohio Revised Code and are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$209,226 \$195,595, and \$158,168, respectively. The full amount has been contributed for 2001 and 2000. Seventy-seven percent has been contributed for 2002 with the remainder being reported as a liability in the General Long-Term Obligations Account Group.

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

The City contributes to the Ohio Police and Fire Pension Fund (Pension Fund), a cost-sharing multiple employer public employee retirement system administered by the Pension Fund's Board of Trustees. The Pension 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 Revised Code Chapter 742. The Pension Fund issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Executive Director, Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 11.75 percent for police and 16.25 percent for firefighters. Contribution rates are authorized by the Ohio Revised Code. The City's required contributions to the Pension Fund for police and firefighters were \$255,193 and \$235,654 for the year ended December 31, 2002; \$262,886 and \$266,052 for the year ended December 31, 2001; \$222,348 and \$208,282 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. Seventy percent and 73 percent, respectively, have been contributed for 2002 with the remainder being reported as a liability in the General Long-Term Obligations Account Group.

In addition to current contributions, the City pays installments on an accrued liability for police officers incurred when the Pension Fund was established in 1967. As of December 31, 2002, the remaining liability was \$51,907 payable in semi-annual payments through the year 2035. The liability is reported in the General Long-Term Obligations Account Group.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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**Note 12 – Other Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the OPERS is considered an Other Postemployment Benefit (OPEB) as defined by GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2002 employer contribution rate was 13.55 percent of covered payroll with 5.00 percent as the portion used to fund health care. In 2001, the contribution rate was 13.55 percent of covered payroll with 4.30 percent as the portion used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund OPEB were \$77,206. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for OPEB at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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

The Ohio Police and Fire Pension Fund (Pension Fund) provides postretirement health care coverage to any person who received 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 school 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 defined in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Pension Fund Board of Trustees to provide health care coverage and states that health care costs paid from the Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. For 2002, 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 7.75 percent of covered payroll was used to fund health care. For 2001, 7.50 percent used to fund health care. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of the OPEB through a deduction from their monthly benefit payment.

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

The City's actual contributions for 2002 that were used to fund OPEB were \$132,730 for police and \$76,096 for fire. The Pension Fund total health care expenses for the year ended December 31, 2001, were \$122,298,771, which was net of member contributions of \$6,874,699. The number of Pension Fund participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

**Note 13 – Contingencies**

The City is a party to legal proceedings seeking damages. The City's 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 – Note Debt**

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

	BALANCE 12/31/01	ADDITIONS	DELETIONS	OUT- STANDING 12/31/02
<b>Capital Projects Funds</b>				
<i>Street Resurfacing Fund</i>				
2002-2003 2.025%	\$650,000	\$650,000	\$650,000	\$650,000
<i>Capital Improvements Fund</i>				
2002-2003 2.600%	0	750,000	0	750,000
	\$650,000	\$1,400,000	\$650,000	\$1,400,000

All of the notes are backed by the full faith and credit of the City and mature within one year from date of issuance. 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 – Long Term Obligations**

Changes in long-term obligations of the City during 2002 are as follows:

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

	<b>BALANCE</b>			<b>BALANCE</b>
	<b>12/31/01</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>12/31/02</b>
<b>General Obligations Bonds:</b>				
1992 5.62% Street Improvements	\$120,000	\$0	(\$120,000)	\$0
1994 5.67% City Hall, Sidewalks, Underground Storage	155,507	0	(47,113)	108,394
1997 4.74% Street Improvements	285,000	0	(40,000)	245,000
1999 4.32% Street Improvements	825,000	0	(90,000)	735,000
2000 5.30% Street Improvements	805,000	0	(70,000)	735,000
2001 3.35-4.35% Street Improvements	545,000	0	(50,000)	495,000
2001 3.35-5.70% Law Enforcement Building	3,395,000	0	(120,000)	3,275,000
<i>Total General Obligation Bonds</i>	<u>\$6,130,507</u>	<u>\$0</u>	<u>(\$537,113)</u>	<u>\$5,593,394</u>
1994 4.00-5.55% Special Assessment Bonds	9,493	0	(2,887)	6,606
<b>OWDA Loans:</b>				
Monticello Avenue Sewer 4.56%	149,870	0	(9,207)	140,663
Chardon Road Sewer 4.56%	1,400,372	0	(55,867)	1,344,505
Brushview Road Sewer 4.12%	407,796	0	(13,796)	394,000
Highland Road - Meadowlane 3.79%	625,872	0	(23,006)	602,866
Richmond Road (to Highland Road)	631,634	256,640	0	888,274
Skyline/Skyline Sewer 3.20%	116,461	0	(27,744)	88,717
Karen Isle/Nan Linn 3.20%	87,004	0	(20,726)	66,278
<i>Total OWDA Loans</i>	<u>\$3,419,009</u>	<u>\$256,640</u>	<u>(\$150,346)</u>	<u>\$3,525,303</u>
<b>Other Long-Term Obligations</b>				
Police Pension Liability	52,640	0	(733)	51,907
Compensated Absences	725,554	104,029	0	829,583
Intergovernmental Payable	430,744	377,480	(430,744)	377,480
<i>Total Other Long-Term Obligations</i>	<u>1,208,938</u>	<u>481,509</u>	<u>(431,477)</u>	<u>1,258,970</u>
<i>Grand Total</i>	<u><u>\$10,767,947</u></u>	<u><u>\$738,149</u></u>	<u><u>(\$1,121,823)</u></u>	<u><u>\$10,384,273</u></u>

The City's overall legal debt margin was \$21,951,764 at December 31, 2002. The unvoted legal debt margin was \$11,443,355. Principal and interest requirements to retire the Long-Term General Obligation Bonds, Police Pension Liability, OWDA (Ohio Water Development Authority) Loans, and the Special Assessment Bonds as of December 31, 2002, are as follows:

	<b>GENERAL</b>			<b>SPECIAL</b>	
	<b>OBLIGATION</b>	<b>POLICE</b>	<b>OWDA</b>	<b>ASSESSMENT</b>	
	<b>BONDS</b>	<b>PENSION</b>	<b>LOANS</b>	<b>BONDS</b>	<b>TOTALS</b>
2003	\$761,626	\$1,481	\$268,194	\$3,520	\$1,034,821
2004	757,178	1,481	268,194	3,635	1,030,488
2005	705,348	1,481	268,195	0	975,024
2006	706,936	1,481	213,598	0	922,015
2007	712,293	1,481	213,598	0	927,372
2008-2012	2,233,926	7,405	1,067,984	0	3,309,315
2013-2017	1,428,392	7,405	1,021,945	0	2,457,742
2018-2022	853,382	7,405	323,730	0	1,184,517
2023-2047	0	35,544	0	0	35,544
<i>Total principal and interest</i>	<u>8,159,081</u>	<u>65,164</u>	<u>3,645,438</u>	<u>7,155</u>	<u>11,876,838</u>
Less Interest	2,565,687	13,257	1,008,409	549	3,587,902
Total Principal	<u><u>\$5,593,394</u></u>	<u><u>\$51,907</u></u>	<u><u>\$2,637,029</u></u>	<u><u>\$6,606</u></u>	<u><u>\$8,288,936</u></u>

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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General obligation bonds are the direct obligation of the City and will be paid from the Bond Retirement, Debt Service Fund using property tax revenues. The 2001 3.35 percent Law Enforcement Building general obligation bonds were issued at a premium of \$7,439. Special assessment bonds will be paid from special assessment proceeds levied against benefited 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, Brushview Road Sewer and Highland Road - Meadowlane OWDA loan liabilities are being paid from the Bond Retirement, Debt Service Fund. The City also entered into contractual agreements for new construction and design 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. OWDA loans will be paid with Special Assessment revenue. The Richmond Road (to Highland Road) OWDA loan is not closed and therefore, the amortization of that liability is not included in the above table.

The Police Pension Liability will be paid from Property Tax revenue in the Police Pension Fund. The Compensated Absences will be paid by the fund from which the employee's salary is paid.

During 2001, the City entered into a contractual agreement with the City of Highland Heights for the construction of sanitary sewer lines on Highland Road. Richmond Heights is responsible for the portion of the lines that run through the City. The project was financed by a loan from the Ohio Public Works Commission in the name of the City of Highland Heights.

The total amount owed to the City of Highland Heights as of December 31, 2002, is \$167,058 and is amount has been recorded Intergovernmental Payable in the General Long Term Obligation Account Group and will be repaid from special assessments levied on the affected properties.

**Note 16 – Contractual Commitments**

As of December 31, 2002, the City had the following contractual commitments outstanding.

<b>PROJECT</b>	<b>CONTRACT AMOUNT</b>	<b>AMOUNT PAID AS OF 12 /31/02</b>	<b>AMOUNT REMAINING ON CONTRACT</b>
Chardon Road Resurfacing	\$228,782	\$0	\$228,782
Skyline/ Sunset Sewer	1,263,013	0	1,263,013
Total	<u>\$1,491,795</u>	<u>\$0</u>	<u>\$1,491,795</u>

**CITY OF RICHMOND HEIGHTS**  
Notes to the General Purpose Financial Statements  
For The Year Ended December 31, 2002

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**Note 17 – Jointly Governed Organization**

***Eastern Suburban Regional Council of Governments***

The City is a member of the Eastern Suburban Regional Council of Governments (ESRCOG). The ESRCOG was formed, by written agreement pursuant to Ohio Rev. Code Section 167.01, in 1972 to foster cooperation between member municipalities through sharing of resources for mutual benefit. Other members include the Cities of Highland Heights, Lyndhurst, Mayfield Heights and the Villages of Gates Mills and Mayfield. The governing body of ESRCOG is a council comprised of one representative from each of the six participating municipalities. The Council adopts a budget for ESCOG annually. Each member's degree of control is limited to its representation on the Council.

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

In 2002, the City contributed \$31,000 which represents 16 percent of the total contributions. Financial information can be obtained from Robert G. Tribby, Finance Director, City of Mayfield Heights, at 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207, who serves as fiscal agent.

**Note 18 – Subsequent Event**

On May 8, 2003, the City issued two bond anticipation notes in the amounts of \$400,000 and \$300,000.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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

We have audited the financial statements of the City of Richmond Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated September 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 19, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-003 and 2002-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also 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 September 19, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 19, 2003



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-001</b>
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Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
  
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of City Council.

A test of 60 expenditures disclosed that 17 percent of the purchase orders were dated after the invoice date and the instances noted did not fall within any exceptions to this Section. As a result, the City did not record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made and encumbrances were understated at year end. Failure to encumber commitments could result in deficit fund balances.

<b>Finding Number</b>	<b>2002-002</b>
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. Ohio Rev. Code § 5705.41(D), provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification shall be declared void. The following accounts had expenditures plus encumbrances in excess of appropriations:

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2002-002(Continued)</b>
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<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures plus Encumbrances</u>	<u>Excess</u>
<b><u>As of August 31, 2002</u></b>			
General Fund-Taxes and Insurance- Taxes	\$2,000	\$2,601	\$601
Special Revenue-Fire Service-Benefits- Education	12,000	12,360	360
Capital Projects-Richmond Road	100,000	267,062	167,062
Capital Projects-Street Resurfacing 2002/2003	500,000	728,294	228,294
<b><u>As of December 31, 2002</u></b>			
General Fund-Planning & Zoning Bd.- Bd. Wages	\$3,650	\$3,720	\$70
General Fund-Law Director-Contractual	75,000	77,184	2,184
General Fund-Civil Service-Salaries	2,040	2,280	240
Special Revenue-Fire Service-Benefits	200,000	210,101	10,101
Capital Projects-Street Resurfacing 2002/2003	500,000	750,000	250,000
Capital Projects-Cary Jay & Dumbarton	0	8,040	8,040

This weakness could allow expenditures in any of the above funds to exceed the total of the available fund balance and the current year revenues, resulting in negative fund balance(s).

We recommend the City compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison and amendment, if necessary, should be completed on a monthly basis at a minimum.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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(Continued)

<b>Finding Number</b>	<b>2002-003</b>
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Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform monthly bank reconciliations. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement and it is also used to determine whether all cash receipts and disbursements have been properly recorded.

A review of the bank reconciliations noted unsupported book to bank variances. As of December 31, 2002, the bank reconciliation disclosed an adjusted book balance exceeding the adjusted bank balance by \$5,271.42.

We recommend the City's cash balances be reconciled on a monthly basis and all reconciling items contain adequate supporting documentation. Also, all cash receipts and disbursements should be posted to the general ledger at the time the transaction occurs. Furthermore, each month the reconciliation of the general account should be reviewed and approved by the City Council. Finally, this adjustment should be documented by the Finance Department, and appropriate action presented to the City Council.

<b>Finding Number</b>	<b>2002-004</b>
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According to Ordinance 94-2001, Section 11A, No.3, "Vacation time shall accrue to the employee upon each successive annual recurrence of the anniversary date of his/her appointment. Vacations shall be taken by an employee during the year after which it has been accrued and prior to the next recurrence of the anniversary date of his/her appointment, provided, that an employee may carry over or cash in a maximum of one-third of his/her earned annual vacation which must be used within the quarter year immediately following the employee's anniversary date for the year in which he/she was entitled to such vacation."

Our testing of employee vacation accruals identified a Service Department employee with a vacation balance of 492 hours at December 31, 2002.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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(Continued)

<b>Finding Number</b>	<b>2002-004(Continued)</b>
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Section 20.6 of the agreement between the City of Richmond Heights and the International Association of Fire Fighters, Local 2009, AFL-CIO (IAFF contract), "The maximum hours employees may bank shall be 480 hours". Compensation time off may be converted to cash at the employee's option not to exceed 80 hours in any regular pay period. All overtime worked after an employee's compensation time bank reaches 480 hours must be paid in compliance with this contract and the Fair Labor Standards Act. All employees shall be given a record of his accumulated time, as recorded by the City, by the 28<sup>th</sup> day of February of each succeeding year, eligibility and compensation thereof.

Our testing of employee vacation accruals identified a Fire employee with a compensation time balance of 657 hours as of December 31, 2002.

Sections 31.1 and 31.2 of the IAFF contract, "Each employee shall earn vacation time after one (1) year of continuous service and be entitled to paid vacation in accordance with the following schedule of full-time employment:

Years of Continuous Service	Vacation Time
1 - 5	5 tours of duty (120 hours)
6 – 20	Increase of ½ tour/yr.(maximum accumulation 12-1/2 tours)

Vacation time shall accrue to the employee upon each successive annual recurrence of the anniversary date of his appointment. Vacations shall be taken by the employee during the year after which it has accrued and prior to the next recurrence of the anniversary date. An employee shall be paid for any unused vacation time remaining at the conclusion of the vacation year within thirty (30) calendar days after the anniversary date of his or her appointment."

Our review of the annual accruals of the above noted IAFF contract noted the firefighters are being credited an extra 12 hours of vacation time beginning the day after the anniversary date of their fifth year of appointment as opposed to the anniversary date of their sixth year of appointment. As a result, the firefighters are being credited with an extra 12 hours of vacation time each year after their fifth year.

Two fire employees had negative vacation leave balances at the end of the year indicating they had used, and been paid for, vacation leave time which had not been earned. The two employees used twelve vacation hours more than they had earned during the year. Employees should not be paid for vacation leave when no accrued time is available. Reconciliations should be made between the time recorded at the department level and the totals in the finance department.

We recommend that the City follow the leave policies noted in Ordinance 94-2001 and the IAFF contract.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2001-20818-001	Revised Code 5705.41(D), failure to encumber funds	No	No change - See Finding 2002-001
2001-20818-002	Revised Code 5705.39, appropriations exceeded estimated revenue	Yes	Finding no longer valid
2001-20818-003	Revised Code 5705.41 (B) and (D), expenditures plus encumbrances exceeded appropriations	No	No change – See finding 2002-002





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**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  
DECEMBER 2, 2003**