



Mary Taylor, CPA
Auditor of State

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis - 2008	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – 2008	11
Statement of Activities – 2008	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds – 2008	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – 2008.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2008	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2008.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund – 2008	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Fire Service Fund – 2008.....	22
Statement of Fiduciary Net Assets – Fiduciary Funds – 2008	23
Notes to the Basic Financial Statements – 2008.....	25
Management's Discussion and Analysis - 2007	51
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – 2007	59
Statement of Activities – 2007	61
Fund Financial Statements:	
Balance Sheet – Governmental Funds – 2007	62
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – 2007.....	65
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2007	66

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2007	68
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund – 2007	69
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Fire Service Fund – 2007	70
Statement of Fiduciary Net Assets – Fiduciary Funds – 2007	71
Notes to the Basic Financial Statements – 2007	73
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	101
Schedule of Findings.....	103
Schedule of Prior Audit Findings.....	119



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Richmond Heights
Cuyahoga County
26789 Highland Road
Richmond Heights, Ohio 44143

To City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio (the City), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio, as of December 31, 2008 and 2007, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Fire Service Funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 of the 2007 Notes to the Basic Financial Statements, the City restated the December 31, 2006 fund balances of the General and Bond Retirement Funds due to incorrect postings of prior year special assessment revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

September 16, 2010

City of Richmond Heights

Management's Discussion and Analysis (Unaudited)

For The Year Ended December 31, 2008

The discussion and analysis of the financial performance of the City of Richmond Heights (the "City") provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2008 are as follows:

- ◆ City income tax revenue totaled \$4,717,603.
- ◆ The assets of the City of Richmond Heights exceeded its liabilities at the close of the most recent fiscal year by \$11,469,368. Of this amount, \$4,788,840 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ In total, net assets in governmental activities decreased by \$156,958 during 2008. This represents a 1.35 percent decrease from 2007.
- ◆ Total assets decreased by \$368,598, which represents a decrease of approximately 1.05 percent from 2007. The biggest offset to the change was an increase in capital assets, net of depreciation of \$1,936,673.
- ◆ Total liabilities decreased by \$211,640, which represents a decrease of approximately .9 percent. This decrease is due to a decrease in bonds payable of \$405,705 and an increase in OWDA loans payable in the amount of \$180,811.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements – Reporting the City of Richmond Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net assets (assets minus liabilities)
- Program revenues and expenses
- General revenues
- Net assets beginning of year and end of year

Fund Financial Statements - Reporting the City of Richmond Heights's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Richmond Heights maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Fire Service Fund, Bond Retirement Fund, Building Improvement Fund, Sewer Improvement Fund and Capital Improvement Capital Projects Fund, all of which are considered to be major funds.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 25 of this report.

Government-wide Financial Analysis - City of Richmond Heights as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

Table 1 provides a summary of the City's net assets for 2008 as compared to 2007.

Table 1
Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 11,003,513	\$ 13,308,784
Capital assets, net	<u>23,823,379</u>	<u>21,886,706</u>
<i>Total assets</i>	<u>34,826,892</u>	<u>35,195,490</u>
Current liabilities and other liabilities	4,989,385	4,999,916
Long-term liabilities:		
Due within one year	1,376,571	1,190,749
Due in more than one year	<u>16,991,568</u>	<u>17,378,499</u>
<i>Total liabilities</i>	<u>23,357,524</u>	<u>23,569,164</u>
Invested in capital assets, net of related debt	6,672,632	4,496,866
Restricted for:		
Debt service	-	206,077
Other purposes	7,896	7,896
Unrestricted	<u>4,788,840</u>	<u>6,915,487</u>
<i>Total net assets</i>	<u>\$ 11,469,368</u>	<u>\$ 11,626,326</u>

Total assets decreased \$368,598 from 2007 to 2008 primarily because of a decrease in the City's cash balances. Total liabilities decreased by \$211,640. This decrease is due to a decrease in general obligation bonds and an increase in OWDA loans payable in the amount of \$405,705 and \$180,811, respectively.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year as compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services	\$ 1,154,682	\$ 1,178,575
Operating grants and contributions	1,380	41,773
Capital grants	<u>51,818</u>	<u>4,776,881</u>
<i>Total program revenues</i>	<u>1,207,880</u>	<u>5,997,229</u>
General revenues:		
Property taxes	4,242,467	3,253,104
Income taxes	4,717,603	4,598,338
Grants and entitlements	1,872,022	1,942,139
Investment income	2,112	158,550
Miscellaneous	<u>369,838</u>	<u>178,737</u>
<i>Total general revenues</i>	<u>11,204,042</u>	<u>10,130,868</u>
<i>Total revenues</i>	<u>12,411,922</u>	<u>16,128,097</u>
Expenses:		
General government	1,755,317	1,683,568
Security of persons and property	6,403,653	6,151,280
Transportation	2,601,034	1,509,782
Leisure time activities	513,131	506,157
Community development	454,189	357,229
Basic utility services	298,091	662,989
Interest and fiscal charges	<u>543,465</u>	<u>869,978</u>
<i>Total expenses</i>	<u>12,568,880</u>	<u>11,740,983</u>
<i>Change in net assets</i>	\$ <u>(156,958)</u>	\$ <u>4,387,114</u>

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income and has not changed since 1993. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax, the credit limit being 2 percent. During 2008, the revenues generated from this tax amounted to \$4,717,603.

General property taxes are also a significant source of revenues. Although this is a much more stable tax, property taxes constitute only about a third of the general revenues for the City. In addition to the general property taxes, the City has 8.7 mills levied for the Fire Department. The Fire Service Levy provides for a portion of the operating expenditures of the Fire Department, the remainder of funding comes from the General Fund.

Intergovernmental revenues, particularly local government subsidies have, in the past, provided a very stable predictable and significant contribution to the City's General Fund. In 2008, local government subsidies have become less stable with State Budget cuts and county distribution formulas being challenged in court. Estate taxes have also been a significant contributor to this City's budget, but much less stable and not at all predictable. Both of these forms of intergovernmental revenues are at risk due to budget concerns at the State level.

While the City is more aggressively pursuing grants and donations to assist in funding projects that might be funded through the General Fund, none were awarded in 2008.

Interest on all City accounts, except when otherwise designated, is another source of revenue for the General Fund. In the past, interest constituted as much as 25 percent of the total budget. Now, because of the drop in interest rates, this source is much less significant.

Security of Persons and Property and General Government are the major activities of the City generating 65 percent of the governmental expenses. Currently, there are 21 full-time sworn officers in the police department. During 2008, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

The fire department consists of 20 full-time and 14 part-time fire fighters. All but three of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. The department handled 1,390 calls for assistance of which approximately 1,065 were for EMS and the rest for fire and fire related incidents.

With several large sanitary sewer construction projects planned or in process, the investment in streets was limited to those streets that experienced sanitary sewer construction or minor repair and resurfacing of various streets.

The City's Funds

Information about the City's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,772,542 and expenditures of \$15,696,389. The net change in fund balance for the year was most significant in the Building Improvement Fund showing a decrease in fund balance of \$1,088,013, which resulted from the City's construction of the new City Hall. The General Fund reflected an increase of \$290,354, increasing the beginning fund balance of \$1,438,493 to \$1,728,847.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the General Fund, budget basis revenue was the same as the original budget estimates of \$7,814,536. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations of \$7,609,029 was sufficient to meet the expenditures for the year, which ended up at \$7,565,990 or \$43,039 less than anticipated due to a conservative budgeting and spending controls.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal 2008 balances of Capital Assets as compared to 2007:

Table 3
Capital Assets at December 31

	Governmental Activities	
	2008	2007
Land	\$ 1,635,588	\$ 1,635,588
Construction in progress	-	3,461,768
Land Improvements	1,786,198	1,770,037
Buildings and improvements	10,414,646	6,731,349
Machinery and equipment	1,807,234	1,577,397
Vehicles	2,042,917	1,967,635
Infrastructure:		
Roads	10,542,293	9,670,798
Sanitary sewers	3,854,121	3,854,121
Storm sewers	7,586,635	5,626,251
Water lines	2,381,534	2,381,534
Less: accumulated depreciation	<u>(18,227,787)</u>	<u>(16,789,772)</u>
Total capital assets, net	\$ <u>23,823,379</u>	\$ <u>21,886,706</u>

The City's plan is to maintain its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. The police car replacement plan is to replace 3 vehicles each year. The older vehicles are sold to the highest bidder at auction.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the roads, sewer lines and water lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are competitively bid to get the best possible pricing from contractors. Related expenditures are paid for out of the Capital Improvement Fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. A five-year capital plan is in place that provides for street improvements and adding additional facilities to complement our current structures.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2008

Debt

At December 31, 2008, the City of Richmond Heights had \$18,368,139 in outstanding debt and compensated absences, of which \$10,395,271 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 10,395,271	\$ 10,800,976
OWDA loans	6,640,761	6,459,950
OPWC loan	114,715	128,914
Police pension	46,831	47,775
Compensated absences	<u>1,170,561</u>	<u>1,131,633</u>
Total	\$ <u>18,368,139</u>	\$ <u>18,569,248</u>

At December 31, 2008, the City's overall legal debt margin was \$23,343,174. At year-end, the outstanding general obligation debt was \$10,395,271. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

The City's systems of budgeting and internal controls are and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Richmond Heights with full disclosure of the financial position of the City.

Contacting the City of Richmond Heights's Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Lynda Rossiter, City of Richmond Heights, 26789 Highland Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or web site at www.richmondheightsohio.org or finance.director@richmondheightsohio.org.

City of Richmond Heights

Statement of Net Assets

December 31, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ (523,218)
Cash with fiscal agent	2,263
Materials and supplies inventory	59,635
Accounts receivable	171,434
Intergovernmental receivable	751,880
Prepaid items	47,475
Taxes receivable	5,084,764
Special assessments receivable	5,409,280
Nondepreciable capital assets	1,635,588
Depreciable capital assets, net	<u>22,187,791</u>
Total assets	<u>34,826,892</u>
Liabilities:	
Accounts payable	610,776
Accrued wages and benefits	341,891
Intergovernmental payable	350,784
Accrued interest payable	118,440
Deferred revenue	3,567,494
Long-term liabilities:	
Due within one year	1,376,571
Due in more than one year	<u>16,991,568</u>
Total liabilities	<u>23,357,524</u>
Net assets:	
Invested in capital assets, net of related debt	6,672,632
Restricted for:	
Other purposes	7,896
Unrestricted	<u>4,788,840</u>
Total net assets	<u>\$ 11,469,368</u>

The accompanying notes are an integral part of these financial statements

This page intentionally left blank

City of Richmond Heights

Statement of Activities

For The Year Ended December 31,2008

	<u>Expense</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Funds</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Special Assessments</u>	
Government activities:					
General government	\$ 1,755,317	\$ 320,979	\$ -	\$ -	\$ (1,434,338)
Security of persons and property	6,403,653	376,534	1,380	-	(6,025,739)
Transportation	2,601,034	114,648	-	51,818	(2,434,568)
Leisure time activities	513,131	133,960	-	-	(379,171)
Community development	454,189	119,002	-	-	(335,187)
Basic utility service	298,091	89,559	-	-	(208,532)
Interest and fiscal charges	<u>543,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(543,465)</u>
Total Governmental Activities	\$ <u>12,568,880</u>	\$ <u>1,154,682</u>	\$ <u>1,380</u>	\$ <u>51,818</u>	<u>(11,361,000)</u>

General revenues:	
Property and other local taxes levied for:	
General purposes	3,332,755
Debt service	909,712
Municipal income taxes levied for:	
General purposes	4,717,603
Grants and entitlements not restricted	1,872,022
Investment income	2,112
Miscellaneous income	<u>369,838</u>
Total general revenues	<u>11,204,042</u>
Change in net assets	(156,958)
Net assets at beginning of year	<u>11,626,326</u>
Net assets at end of year	\$ <u>11,469,368</u>

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

Balance Sheet Governmental Funds

December 31, 2008

	<u>General</u>	<u>Fire Service</u>	<u>Bond Retirement</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ (548,825)	\$ -	\$ -
Cash with fiscal agents	-	-	2,263
Taxes receivable	2,466,861	1,629,665	832,414
Accounts receivable	79,345	-	-
Intergovernmental receivable	400,065	80,234	48,048
Special assessments receivable	-	-	5,409,280
Internal receivable	1,552,249	-	-
Materials and supplies inventory	9,723	1,700	-
Prepaid items	47,475	-	-
Total Assets	<u>\$ 4,006,893</u>	<u>\$ 1,711,599</u>	<u>\$ 6,292,005</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 130,619	\$ 6,029	\$ -
Accrued wages	165,983	138,228	-
Intergovernmental payable	116,563	41,879	-
Internal payable	-	728,716	61,169
Deferred revenue	<u>1,864,881</u>	<u>1,709,899</u>	<u>6,289,742</u>
Total Liabilities	<u>2,278,046</u>	<u>2,624,751</u>	<u>6,350,911</u>
Fund Balances:			
Reserve for encumbrances	-	-	-
Reserve for inventory	9,723	1,700	-
Unreserved (deficit) for:			
General Fund	1,719,124	-	-
Special Revenue Funds	-	(914,852)	-
Debt Service Fund	-	-	(58,906)
Capital Projects Funds	-	-	-
Total Fund Balances (deficits)	<u>1,728,847</u>	<u>(913,152)</u>	<u>(58,906)</u>
Total Liabilities and Fund Balances	<u>\$ 4,006,893</u>	<u>\$ 1,711,599</u>	<u>\$ 6,292,005</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvements</u>	<u>Building Improvement</u>	<u>Sewer Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 24,116	\$ 1,491	\$ (523,218)
-	-	-	-	2,263
-	-	-	155,824	5,084,764
-	-	-	92,089	171,434
-	-	-	223,533	751,880
-	-	-	-	5,409,280
-	-	-	436,025	1,988,274
-	-	-	48,212	59,635
-	-	-	-	47,475
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,116</u>	<u>\$ 957,174</u>	<u>\$ 12,991,787</u>
\$ -	\$ 202,988	\$ 247,059	\$ 24,081	\$ 610,776
-	-	-	37,680	341,891
-	-	-	192,342	350,784
836,114	176,751	185,524	-	1,988,274
-	-	-	217,396	10,081,918
<u>836,114</u>	<u>379,739</u>	<u>432,583</u>	<u>471,499</u>	<u>13,373,643</u>
21,740	241,217	-	-	262,957
-	-	-	48,212	59,635
-	-	-	-	1,719,124
-	-	-	286,984	(627,868)
-	-	-	-	(58,906)
<u>(857,854)</u>	<u>(620,956)</u>	<u>(408,467)</u>	<u>150,479</u>	<u>(1,736,798)</u>
<u>(836,114)</u>	<u>(379,739)</u>	<u>(408,467)</u>	<u>485,675</u>	<u>(381,856)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,116</u>	<u>\$ 957,174</u>	<u>\$ 12,991,787</u>

This page intentionally left blank

City of Richmond Heights

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2008

Total Governmental Funds Balances \$ (381,856)

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. 23,823,379

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property and other taxes	\$ 281,728	
Municipal income taxes	550,042	
Special assessments	5,409,280	
Intergovernmental	<u>273,374</u>	
Total		6,514,424

Accrued wages and benefits include contractual required pension contributions not expected to be paid with expendable available fund resources and therefore not reported in the funds. (46,831)

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

Interest payable	(118,440)	
General obligation bonds	(10,395,271)	
Loans payable	(6,755,476)	
Compensated absences	<u>(1,170,561)</u>	
Total		<u>(18,439,748)</u>

Net Assets of Governmental Activities \$ 11,469,368

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Year Ended December 31, 2008

	<u>General</u>	<u>Fire Service</u>	<u>Bond Retirement</u>
Revenues:			
Property taxes	\$ 1,323,706	\$ 1,755,824	\$ 909,712
Municipal income tax	4,698,713	-	-
Other local taxes	82,653	-	-
Intergovernmental	1,109,141	134,388	127,315
Charges for services	73,061	-	-
License and permits	292,312	-	-
Fines and forfeitures	214,288	-	-
Special assessments	-	-	369,471
Investment income	2,112	-	-
Reimbursements received	56,807	-	-
Miscellaneous income	77,127	12,253	-
Total revenues	<u>7,929,920</u>	<u>1,902,465</u>	<u>1,406,498</u>
Expenditures:			
Current operations and maintenance:			
Security of persons and property	3,240,585	2,147,531	-
Public health and welfare	-	-	-
Leisure time activities	290,379	-	-
Community development	454,189	-	-
Basic utility service	44,050	-	-
Transportation	1,479,616	-	-
General government	1,608,722	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	1,108,816
Interest and fiscal charges	-	-	647,665
Total expenditures	<u>7,117,541</u>	<u>2,147,531</u>	<u>1,756,481</u>
Excess of revenues over (under) expenditures	<u>812,379</u>	<u>(245,066)</u>	<u>(349,983)</u>
Other financing sources (uses):			
Proceeds from sale of debt	-	-	-
Premium on sale of debt	-	-	-
Transfers - in	-	40,000	85,000
Transfers - out	(522,025)	-	-
Total other financing sources (uses)	<u>(522,025)</u>	<u>40,000</u>	<u>85,000</u>
Net change in fund balances	290,354	(205,066)	(264,983)
Fund balance (deficit) at beginning of year	<u>1,438,493</u>	<u>(708,086)</u>	<u>206,077</u>
Fund balance (deficit) at end of year	\$ <u>1,728,847</u>	\$ <u>(913,152)</u>	\$ <u>(58,906)</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvements</u>	<u>Building Improvement</u>	<u>Sewer Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 170,572	\$ 4,159,814
-	-	-	-	4,698,713
-	-	-	-	82,653
-	-	91,676	468,005	1,930,525
-	-	-	327,222	400,283
89,559	-	-	178,041	559,912
-	-	-	-	214,288
-	-	-	-	369,471
-	-	-	-	2,112
-	-	-	1,380	58,187
<u>27,225</u>	<u>-</u>	<u>-</u>	<u>179,979</u>	<u>296,584</u>
<u>116,784</u>	<u>-</u>	<u>91,676</u>	<u>1,325,199</u>	<u>12,772,542</u>
-	-	-	660,332	6,048,448
-	-	-	1,173	1,173
-	-	-	121,632	412,011
-	-	-	-	454,189
-	-	-	-	44,050
-	-	-	506,620	1,986,236
-	-	-	160,500	1,769,222
368,461	1,588,013	637,284	619,671	3,213,429
-	-	-	-	1,108,816
<u>-</u>	<u>11,150</u>	<u>-</u>	<u>-</u>	<u>658,815</u>
<u>368,461</u>	<u>1,599,163</u>	<u>637,284</u>	<u>2,069,928</u>	<u>15,696,389</u>
<u>(251,677)</u>	<u>(1,599,163)</u>	<u>(545,608)</u>	<u>(744,729)</u>	<u>(2,923,847)</u>
-	400,000	460,348	-	860,348
-	11,150	-	-	11,150
-	100,000	-	482,025	707,025
<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,000)</u>	<u>(707,025)</u>
<u>-</u>	<u>511,150</u>	<u>460,348</u>	<u>297,025</u>	<u>871,498</u>
(251,677)	(1,088,013)	(85,260)	(447,704)	(2,052,349)
<u>(584,437)</u>	<u>708,274</u>	<u>(323,207)</u>	<u>933,379</u>	<u>1,670,493</u>
\$ <u>(836,114)</u>	\$ <u>(379,739)</u>	\$ <u>(408,467)</u>	\$ <u>485,675</u>	\$ <u>(381,856)</u>

City of Richmond Heights

Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Year Ended December 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (2,052,349)

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report Capital Outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 3,374,688	
Depreciation	<u>(1,438,015)</u>	
Total		1,936,673

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Municipal Income Taxes	18,890	
Special Assessments	(409,329)	
Intergovernmental	<u>34,553</u>	
Total		(355,886)

Repayment of Debt Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 1,110,591

Debt proceeds and premium provide current financial resources to governmental funds, but have no effect on net assets. (871,498)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated Absences	(38,928)	
Accrued Pension	944	
Accrued Interest on Debt	<u>113,495</u>	
Total		<u>75,511</u>

Change in Net Assets of Governmental Activities \$ (156,958)

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

Statement Of Revenues, Expenditures and Changes In Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For The Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,306,343	\$ 1,306,343	\$ 1,323,706	\$ 17,363
Municipal income tax	4,682,883	4,682,883	4,635,593	(47,290)
Other local taxes	87,286	87,286	86,405	(881)
Intergovernmental	1,025,251	1,025,251	1,231,958	206,707
Charges for services	63,712	63,712	63,070	(642)
Licenses and permits	295,294	295,294	292,312	(2,982)
Fines and forfeitures	214,206	214,206	212,043	(2,163)
Reimbursements received	57,387	57,387	56,807	(580)
Interest	4,259	4,259	4,216	(43)
Miscellaneous income	<u>77,915</u>	<u>77,915</u>	<u>77,127</u>	<u>(788)</u>
Total revenues	<u>7,814,536</u>	<u>7,814,536</u>	<u>7,983,237</u>	<u>168,701</u>
Expenditures:				
Current:				
General government	1,561,045	1,565,045	1,581,052	(16,007)
Security of persons and property	3,185,681	3,248,986	3,224,142	24,844
Transportation	1,573,207	1,504,507	1,487,753	16,754
Community environment	459,960	463,700	457,198	6,502
Leisure time activities	<u>336,471</u>	<u>304,766</u>	<u>293,820</u>	<u>10,946</u>
Total expenditures	<u>7,116,364</u>	<u>7,087,004</u>	<u>7,043,965</u>	<u>43,039</u>
Excess of revenues over (under) expenditures	698,172	727,532	939,272	211,740
Other financing sources (uses):				
Transfers out	<u>(492,750)</u>	<u>(522,025)</u>	<u>(522,025)</u>	<u>-</u>
Net change in fund balances	205,422	205,507	417,247	211,740
Unencumbered fund balance at the beginning of year	225,108	225,108	225,108	-
Prior year encumbrances	<u>81</u>	<u>81</u>	<u>81</u>	<u>-</u>
Unencumbered fund balance at the end of year	\$ <u>430,611</u>	\$ <u>430,696</u>	\$ <u>642,436</u>	\$ <u>211,740</u>

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

Statement Of Revenues, Expenditures and Changes In Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual - Fire Service Fund

For The Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,777,427	\$ 1,777,427	\$ 1,755,824	\$ (21,603)
Intergovernmental	357,049	357,049	134,388	(222,661)
Miscellaneous income	<u>32,554</u>	<u>32,554</u>	<u>12,253</u>	<u>(20,301)</u>
Total revenues	2,167,030	2,167,030	1,902,465	(264,565)
Expenditures:				
Current:				
Security of persons and property	<u>2,104,181</u>	<u>2,191,971</u>	<u>2,138,306</u>	<u>53,665</u>
Excess of revenues over (under) expenditures	<u>62,849</u>	<u>(24,941)</u>	<u>(235,841)</u>	<u>(210,900)</u>
Other financing sources (uses):				
Advances – in	-	-	290,000	290,000
Transfers – in	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Net change in fund balance	62,849	(24,941)	94,159	119,100
Unencumbered fund balance at the beginning of year	(532,874)	(532,874)	(532,874)	-
Prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered fund balance at the end of year	\$ <u>(470,025)</u>	\$ <u>(557,815)</u>	\$ <u>(438,715)</u>	\$ <u>119,100</u>

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

**Statement of Fiduciary Net Assets
Fiduciary Funds**

December 31, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>221,395</u>
Liabilities:	
Deposits held and due to others	\$ <u>221,395</u>

The accompanying notes are an integral part of the basic financial statements

This page intentionally left blank

City of Richmond Heights

Notes to the Basic Financial Statements

For The Year Ended December 31, 2008

Note 1: The 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, the Eastern Suburban Regional Council of Governments, which is a jointly governed organization, and the Northeast Ohio Public Energy Council (NOPEC), which is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. These organizations are described in Notes 9 and 15 to the combined financial statements.

The City of Richmond Heights established an independent organization called the Greenwood Farms Historical, Cultural, and Arts Association to facilitate the programming of a historical property on Richmond Road the City acquired. This property is known as the Greenwood Farm or the Phyper property. The City appoints all board members for the Association. The Association will lease the property from the City, determine programming, and facilitate the necessary repairs and renovations to the property needed to provide that programming. The programming and property upkeep are separate from City operations. Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Association is considered a related organization of the City.

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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict GASB pronouncements. The more significant of the City's accounting policies are described below.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

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

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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.

Fire Service Fund – This fund is used to account for the accumulation of resources for, and the payment of expenditures relating to fire services.

Bond Retirement Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest.

Capital Improvements Fund – This fund is used to account for financial resources to be used for the acquisition of major equipment.

Building Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Sewer Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major sewer projects.

Fiduciary Fund Type – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

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

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

C. *Measurement Focus (continued)*

Fund Financial Statements

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

D. *Basis of Accounting*

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue

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, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Special assessments not received within the available period and 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. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenues.

Expenditures

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.

E. 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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

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 October 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 2008.

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, seven supplemental Appropriation Ordinances were passed which did not have a 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.

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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

The City utilizes a financial institution to account for a retainage account. The balance in this account is presented as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents."

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$2,112, none of which was assigned from other funds.

G. Inventory

Inventory is stated at cost on a first-in, first-out basis. The costs of inventory items are recorded as expenditures when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

I. Capital Assets

General capital 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 governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital 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. In 2003, the City had a reappraisal performed to determine capital asset values. The City maintains a capitalization threshold for non-electronic assets of five thousand dollars and electronic assets of one thousand dollars.

The City's infrastructure consists of roads, sanitary sewers, storm sewers, and waterlines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	45 years
Buildings and improvements	45 years
Machinery and equipment	7 to 20 years
Vehicles	6 to 12 years
Infrastructure	65 years

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "internal receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

K. 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, 2008, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. 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 noncurrent portion of the liability is not reported.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities 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) that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

M. 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 encumbrances and inventories of supplies and materials.

N. Net Assets

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

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

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 2: Summary of Significant Accounting Policies (continued)

Q. Estimates

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

Note 3: Accountability and Compliance

A. Compliance

The Fire Service Fund, COPS Fund, Senior Disabled Transportation Fund, Bond Retirement Fund, Capital Improvement Fund, Street Improvement Fund, and Building Improvement Fund had negative budgetary fund balances of \$438,716, \$44,872, \$1,557, \$58,906, \$808,846, \$381,866, and \$176,751, respectively, at December 31, 2008, in violation of Ohio Revised Code Section 5705.10. Also, the Fire Service Fund, Capital Improvement Fund, Building Improvement Fund, and Sewer Improvement Fund had appropriations in excess of estimated resources in the amount of \$811,316, \$1,147,872, \$463,426, and \$981,852, respectively, as of December 31, 2008, in violation of Ohio Revised Code Section 5705.39. Also, throughout 2008, the City was in violation of Ohio Revised Code Section 5705.41 (D), which requires fiscal officer certification prior to entering into any commitment for the expenditure of funds. The City also made various interfund transfers that were in violation of Ohio Revised Code Sections 5705.14 – 5705.16. Adjustments were made to the financial statements to eliminate those unallowed transfers. In addition, the following funds/accounts had expenditures plus encumbrances exceeding appropriations as of December 31, 2008, in violation of Ohio Revised Code Section 5705.41 (B):

Fund/Account	Total Appropriations	Total Expenditures plus Encumbrances	Variance
General Fund:			
Police Department			
Education and Travel	\$ 14,000	\$ 16,025	\$ (2,025)
Supplies and Materials	70,575	99,582	(29,007)
Recreation Department			
Contractual	58,155	61,454	(3,299)
Building Department			
Education and Travel	4,071	6,035	(1,964)
Contractual	41,555	71,552	(29,997)
Supplies and Materials	4,150	6,139	(1,989)
Council			
Personnel	71,669	91,641	(19,972)
Administration			
Education and Travel	5,500	5,817	(317)
Contractual	895,550	895,558	(8)
Fire Service Fund:			
Contractual	53,500	56,178	(2,678)
Street Construction Fund:			
Supplies and Materials	366,050	367,389	(1,339)

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 3: Accountability and Compliance (continued)

B. Accountability

The Fire Service Fund, Bond Retirement Fund, Capital Improvements Fund, Building Improvements Fund, Sewer Improvement Fund, Police Pension Fund and Fire Pension Fund have deficit fund balances of \$913,152, \$58,906, \$836,114, \$379,739, \$408,467, \$155,079, and \$307,412 at December 31, 2008, respectively. These deficits are the result of the application of generally accepted accounting principles (GAAP). The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

C. Change in Accounting Principles

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City's financial statements.

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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP);
- (d) 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 for the general fund and fire service fund.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 4: Budgetary Basis of Accounting (continued)

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

	<u>General</u>	<u>Fire Service Fund</u>
GAAP Basis	\$ 290,354	\$ (205,066)
Increase (Decrease) Due To:		
Revenue Accruals	53,317	290,000
Expenditure Accruals	<u>73,576</u>	<u>9,225</u>
Budget Basis	\$ <u>417,247</u>	\$ <u>94,159</u>

Note 5: Deposits and Investments

Monies held by the City are classified by State statute into three categories.

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

Inactive deposits are public deposits that 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.

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;

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 5: Deposits and Investments (continued)

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 (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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the bank balance was \$(76,573). Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments, when purchased, are reported at fair value. As of December 31, 2008, the City had no investments.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 6: Receivables

Receivables at December 31, 2008 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 2008 for real and public property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

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

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

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

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments 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 at September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$14.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate:	
Residential/Agriculture	\$ 218,775,920
Other Real Estate	89,929,440
Tangible Personal Property:	
Public Utility	2,316,100
General Tangible Personal Property	<u>5,587,427</u>
	\$ <u>316,608,887</u>

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 6: Receivables (continued)

B. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 2008 follows:

	<u>Amount</u>
Homestead and Rollback Reimbursements	\$ 183,819
Local Government	189,408
Auto registration	47,468
Gasoline taxes	158,749
Estate taxes	101,505
CAT tax	32,681
Other	<u>38,250</u>
Total intergovernmental receivable	\$ <u>751,880</u>

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 two 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 2008, the proceeds were allocated one hundred percent to the General Fund.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 7: Capital Assets

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

	Balance 12/31/2007	Additions	Deletions	Balances 12/31/2008
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 1,635,588	\$ -	\$ -	\$ 1,635,588
Construction in progress	3,461,768	-	(3,461,768)	-
Total capital assets, not being depreciated	<u>5,097,356</u>	<u>-</u>	<u>(3,461,768)</u>	<u>1,635,588</u>
Capital assets being depreciated:				
Land improvements	1,770,037	16,161	-	1,786,198
Buildings and improvements	6,731,349	3,683,297	-	10,414,646
Machinery and equipment	1,577,397	229,837	-	1,807,234
Vehicles	1,967,635	75,282	-	2,042,917
Infrastructure:				
Roads	9,670,798	871,495	-	10,542,293
Storm sewers	3,854,121	-	-	3,854,121
Sanitary sewers	5,626,251	1,960,384	-	7,586,635
Water lines	2,381,534	-	-	2,381,534
Total capital assets being depreciated	<u>33,579,122</u>	<u>6,836,456</u>	<u>-</u>	<u>40,415,578</u>
Less accumulated depreciation:				
Land improvements	(859,676)	(94,303)	-	(953,979)
Buildings and improvements	(1,935,625)	(199,022)	-	(2,134,647)
Machinery and equipment	(1,090,230)	(187,569)	-	(1,277,799)
Vehicles	(1,141,947)	(216,400)	-	(1,358,347)
Infrastructure:				
Roads	(5,786,504)	(463,213)	-	(6,249,717)
Storm sewers	(1,835,249)	(49,859)	-	(1,885,108)
Sanitary sewers	(2,306,758)	(180,017)	-	(2,486,775)
Water lines	(1,833,783)	(47,632)	-	(1,881,415)
Total accumulated depreciation	<u>(16,789,772)</u>	<u>(1,438,015)</u>	<u>-</u>	<u>(18,227,787)</u>
Net capital assets being depreciated	<u>16,789,350</u>	<u>5,398,441</u>	<u>-</u>	<u>22,187,791</u>
Governmental activities capital assets, net	\$ <u>21,886,706</u>	\$ <u>5,398,441</u>	\$ <u>(3,461,768)</u>	\$ <u>23,823,379</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 128,082
Transportation	614,798
Leisure Time Activities	100,654
Basic Utilities Services	254,041
Security of Persons and Property	<u>340,440</u>
	\$ <u>1,438,015</u>

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 8: Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, University Heights, and South Euclid for the purpose of enabling its members to obtain maximum exposure protection at the least possible cost. The pool has a complete package of coverage, including property, general liability, automobile liability, employee dishonesty, boiler and machinery, and other coverages, supplemented by an umbrella liability policy. 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 one representative from each of the participating members. Each entity must commit to the joint venture for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$1,000 to \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2008, NORMA had an aggregate stop loss ranging from \$400,000 to \$750,000 per policy year. Any losses 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. This has not been necessary throughout the 20-year history of the pool.

In 2008, the City paid \$85,239 in premiums which represent approximately 5.38 percent of the total premium. Financial information about NORMA can be obtained by contacting Allison Chance, Finance Director, City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146, who serves as the fiscal agent.

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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 9: Risk Management (continued)

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 belongs to the Ohio Public Treasurers Association group rating plan for workers' compensation. The group rating plan is administered by Integrated Consulting Services, LTD. who was paid an annual fee of \$3,575 in 2008. The Ohio Public Treasurers Association 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 Aetna, the Delta Dental Plan of Ohio and VSP Vision Care. 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 \$1,348 for family coverage, \$956 for an employee plus one additional person and \$448 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 of 690 for Fire Department employees, 960 for Police Department employees and 600 for all City employees.

As of December 31, 2008, the City's liability for unpaid compensated absences was \$1,170,561.

Note 11: Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 11: Defined Benefit Pension Plans (continued)

A. Ohio Public Employees Retirement System (continued)

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, the members in state and local classifications contributed 10 percent of covered payroll, and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City of Richmond Heights's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$299,633, \$272,982, and \$275,835, respectively, 92 percent has been contributed for 2008, which has been recorded as a liability and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$6,140 made by the City of Richmond Heights and \$4,386 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$286,564 and \$313,460 for the year ended December 31, 2008, \$291,504 and \$319,378 for the year ended December 31, 2007, and \$294,651 and \$316,657 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69 percent for police and 69 percent for firefighters has been contributed for 2008 with the remainder being reported as a liability.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 11: Defined Benefit Pension Plans (continued)

B. Ohio Police and Fire Pension Fund (continued)

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2008, the unfunded liability of the City was \$46,831 payable in semi-annual payments through the year 2049. This is a liability of the City which will not vary.

Note 12: Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For, 2008, the amount of the employer contribution allocated to fund post-employment health care was 7 percent of covered payroll.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$149,817, \$108,401, and \$90,602 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 12: Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

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

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

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 12: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$99,511 and \$89,029 for the year ended December 31, 2008, \$100,860 and \$89,745 for the year ended December 31, 2007, and \$117,105 and \$102,254 for the year ended December 31, 2006. The full amount has been contributed for all three years.

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: Long-Term Obligations

Changes in long-term obligations of the City during 2008 are as follows:

	Original Amount	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008	Due in One Year
General Obligation Bonds						
1999 4.32% Street Improvements	\$ 995,000	\$ 230,000	\$ -	\$ 115,000	\$ 115,000	\$ 115,000
2000 5.30% Street Improvements	875,000	310,000	-	95,000	215,000	105,000
2001 3.35-4.35% Street Improvements	600,000	205,000	-	65,000	140,000	70,000
2001 3.35-5.70% Law Enforcement Building	3,550,000	2,605,000	-	150,000	2,455,000	155,000
2005 3.47% Various Purpose	3,990,000	3,300,000	-	360,000	2,940,000	375,000
2007 3.75-4.00% Various Purpose	4,125,000	4,125,000	-	30,000	4,095,000	60,000
Unamortized Premium – 2007 Various Purpose issue	25,976	25,976	-	1,855	24,121	1,855
2008 4.00-5.50% Fire Station Bay addition	400,000	-	400,000	-	400,000	70,000
Unamortized premium – 2008 Fire Station Bay addition	11,150	-	11,150	-	11,150	2,230
Total general obligation bonds	<u>14,581,150</u>	<u>10,800,976</u>	<u>411,150</u>	<u>816,855</u>	<u>10,395,271</u>	<u>954,085</u>
OWDA Loans						
Monticello Avenue Sewer 4.56%	200,000	96,584	-	11,070	85,514	11,581
Chardon Road Sewer 4.56%	1,554,105	1,058,556	-	71,815	986,741	75,127
Brushview Road Sewer 4.12%	439,366	314,653	-	19,699	294,954	20,519
Highland Road - Meadowlane 3.79%	648,031	487,950	-	28,283	459,667	29,365
Richmond Road (to Highland Road) 3.90%	923,490	773,032	-	37,137	735,895	38,600
Sunset/Skyline Sewer Construction 3.20%-3.59%	1,036,790	918,618	-	41,658	876,960	43,166
Dunbarton/Cary Jay- Construction 3.41%	564,812	522,164	-	22,250	499,914	23,015
Richmond Rd et al Sewers 3.35%	1,265,403	920,416	161,896	47,625	1,034,687	23,270
Richmond Road and Side Streets 3.25%	<u>1,769,784</u>	<u>1,367,977</u>	<u>298,452</u>	<u>-</u>	<u>1,666,429</u>	<u>64,880</u>
Total OWDA loans	<u>8,401,781</u>	<u>6,459,950</u>	<u>460,348</u>	<u>279,537</u>	<u>6,640,761</u>	<u>329,523</u>

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 14: Long-Term Obligations (continued)

	Original Amount	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008	Due in One Year
Other Long-Term Obligations						
City of Highland Heights OPWC Loan	190,923	128,914	-	14,199	114,715	9,546
Police Pension Liability	n/a	47,775	-	944	46,831	984
Compensated Absences	n/a	1,131,633	38,928	-	1,170,561	82,433
Total other long-term obligations	190,923	1,308,322	38,928	15,143	1,332,107	92,963
Total long-term debt	\$ 23,173,854	\$ 18,569,248	\$ 910,426	\$ 1,111,535	\$ 18,368,139	\$ 1,376,571

The City's overall legal debt margin was \$23,343,174 at December 31, 2008. The unvoted legal debt margin was \$7,096,424. 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, 2008, are as follows:

	General Obligation		Police Pension		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 950,000	\$ 443,895	\$ 984	\$ 1,979	\$ 275,630	\$ 178,683
2010	1,070,000	402,629	1,027	1,936	297,513	176,563
2011	1,010,000	357,954	1,071	1,892	309,335	164,741
2012	1,045,000	316,305	1,117	1,846	321,634	152,442
2013	1,060,000	272,667	1,165	1,798	334,428	139,648
2014-2018	3,815,000	765,365	6,618	8,196	1,825,351	491,307
2019-2023	1,410,000	116,915	8,166	6,648	1,327,194	166,342
2024-2028	-	-	10,077	4,737	283,247	12,147
Thereafter	-	-	16,606	2,553	-	-
	\$ 10,360,000	\$ 2,675,730	\$ 46,831	\$ 31,585	\$ 4,974,332	\$ 1,481,873

	OPWC Loan		Total	
	Principal	Interest	Principal	Interest
2009	\$ 9,546	\$ -	\$ 1,236,160	\$ 624,557
2010	9,546	-	1,378,086	581,128
2011	9,546	-	1,329,952	524,587
2012	9,546	-	1,377,297	470,593
2013	9,546	-	1,405,139	414,113
2014-2018	47,785	-	5,694,754	1,264,868
2019-2023	19,200	-	2,764,560	289,905
2024-2028	-	-	293,324	16,884
Thereafter	-	-	16,606	2,553
	\$ 114,715	\$ -	\$ 15,495,878	\$ 4,189,188

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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 14: Long-Term Obligations (continued)

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 & Side Streets OWDA loan is not closed and therefore, the amortization of that liability is not included in the above table.

During the year and in prior years, the City obtained partial proceeds from two Ohio Water Development Authority ("OWDA") loans that relate to the Richmond Road sewer improvements to be repaid in semi-annual principal and interest payments beginning in 2006. The City has not yet collected the total proceeds to be received on this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized and a final amortization schedule has been provided by OWDA, the principal and interest will be included above.

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 2002, 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, 2008, is \$114,715 and has been recorded as a Intergovernmental Payable in the government-wide financial statements and will be repaid from special assessments levied on the affected properties.

Note 15: Jointly Governed Organization

A. 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 ESRCOG 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.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 15: Jointly Governed Organization (continued)

A. Eastern Suburban Regional Council of Governments (continued)

In 2008, the City contributed \$14,000. 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.

B. Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2008. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, OH 44139.

Note 16: Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to	Transfer From		
	General Fund	Other Governmental	Total
Fire service fund	\$ 40,000	\$ -	\$ 40,000
Bond Retirement Fund	-	85,000	85,000
Building Improvement Fund	-	100,000	100,000
Nonmajor governmental funds	<u>482,025</u>	<u>-</u>	<u>482,025</u>
Total	\$ <u>522,025</u>	\$ <u>185,000</u>	\$ <u>707,025</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

City of Richmond Heights

Notes to the Basic Financial Statements (continued)

For The Year Ended December 31, 2008

Note 17: Subsequent Events

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$555,000 by the City for the purpose of improving the City's fire station.

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$1,555,000 by the City for the purpose of street improvements.

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$110,000 by the City for the purpose of improving the City's police department.

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$110,000 by the City for the purpose of improving the City's Service Department.

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$2,140,000 by the City for the purpose of refunding existing police station improvement bonds.

On November 17, 2009, City Council approved the issuance of General Obligation Bonds not to exceed \$845,000 by the City for the purpose of street improvements.

Note 18: Related Party Transactions

The City purchased materials totaling \$4,021 from PDQ Signs during 2008. This business is co-owned by Donald O'Toole, a City Council member. These purchases did not require Council approval.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited)

For The Year Ended December 31, 2007

The discussion and analysis of the financial performance of the City of Richmond Heights (the "City") provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2007 are as follows:

- ◆ City income tax revenue totaled \$4,598,338.
- ◆ The assets of the City of Richmond Heights exceeded its liabilities at the close of the most recent fiscal year by \$11,626,326. Of this amount, \$6,915,487 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ In total, net assets in governmental activities increased by \$4,387,114 during 2007. This represents a 61 percent increase from 2006.
- ◆ Total assets increased by \$6,828,095, which represents an increase of approximately 24 percent from 2006. The biggest change was an increase in capital assets, net of depreciation of \$5,295,854.
- ◆ Total liabilities increased by \$2,440,981, which represents an increase of approximately 12 percent. This increase is due to the payment of the 2006 note issuance in the amount of \$2,700,000 and an increase in bonds payable and OWDA loans payable in the amount of \$4,125,000 and \$1,006,271, respectively.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements – Reporting the City of Richmond Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net assets (assets minus liabilities)
- Program revenues and expenses
- General revenues
- Net assets beginning of year and end of year

Fund Financial Statements - Reporting the City of Richmond Heights's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Richmond Heights maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Fire Service, Bond Retirement Fund, Building Improvement Fund, Sewer Improvement Fund, and Capital Improvement Capital Projects fund, all of which are considered to be major funds.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 73 of this report.

Government-wide Financial Analysis - City of Richmond Heights as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

Table 1 provides a summary of the City's net assets for 2007 as compared to 2006.

Table 1
Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 13,308,784	\$ 11,776,543
Capital assets, net	<u>21,886,706</u>	<u>16,590,852</u>
<i>Total assets</i>	<u>35,195,490</u>	<u>28,367,395</u>
Current liabilities and other liabilities	4,999,916	6,641,369
Long-term liabilities:		
Due within one year	1,190,749	1,169,373
Due in more than one year	<u>17,378,499</u>	<u>13,317,441</u>
<i>Total liabilities</i>	<u>23,569,164</u>	<u>21,128,183</u>
Invested in capital assets, net of related debt	4,496,866	3,273,029
Restricted for:		
Debt service	206,077	47,942
Other purposes	7,896	6,940
Unrestricted	<u>6,915,487</u>	<u>3,911,301</u>
<i>Total net assets</i>	\$ <u>11,626,326</u>	\$ <u>7,239,212</u>

Total assets increased \$6,828,095 from 2006 to 2007 primarily because of the construction in progress and the construction of sanitary sewer lines. Total liabilities increased by \$2,440,981. This increase is due to the issuance of the general obligation bonds and an increase in OWDA loans payable in the amount of \$4,125,000 and \$1,006,271, respectively. The increase is offset by the payment of the notes payable of \$2,700,000.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year as compared to 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 1,178,575	\$ 1,150,908
Operating grants and contributions	41,773	-
Capital grants and special assessments	<u>4,776,881</u>	<u>46,619</u>
<i>Total program revenues</i>	<u>5,997,229</u>	<u>1,197,527</u>
General revenues:		
Property taxes	3,253,104	3,227,952
Income taxes	4,598,338	4,336,812
Grants and entitlements	1,942,139	1,439,186
Investment income	158,550	161,490
Miscellaneous	<u>178,737</u>	<u>248,572</u>
<i>Total general revenues</i>	<u>10,130,868</u>	<u>9,414,012</u>
<i>Total revenues</i>	<u>16,128,097</u>	<u>10,611,539</u>
Expenses:		
General government	1,683,568	1,660,941
Security of persons and property	6,151,280	5,975,742
Transportation	1,509,782	2,203,079
Leisure time activities	506,157	487,324
Community development	357,229	320,910
Basic utility services	662,989	756,506
Interest and fiscal charges	<u>869,978</u>	<u>589,243</u>
<i>Total expenses</i>	<u>11,740,983</u>	<u>11,993,745</u>
<i>Change in net assets</i>	\$ <u>4,387,114</u>	\$ <u>(1,382,206)</u>

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is two percent on gross income and has not changed since 1993. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax, the credit limit being 2 percent. During 2007, the revenues generated from this tax amounted to \$4,598,338.

General property taxes are also a significant source of revenues. Although this is a much more stable tax, property taxes constitute only about a third of the general revenues for the City. In addition to the general property taxes, the City has 8.7 mills levied for the Fire Department. The Fire Service Levy provides for a portion of the operating expenditures of the Fire Department, the remainder of funding comes from the General Fund.

Intergovernmental revenues, particularly local government subsidies have, in the past, provided a very stable predictable and significant contribution to the City's General Fund. In 2007, local government subsidies have become less stable with State Budget cuts and county distribution formulas being challenged in court. Estate taxes have also been a significant contributor to this City's budget, but much less stable and not at all predictable. Both of these forms of intergovernmental revenues are at risk due to budget concerns at the State level.

The City has also more aggressively pursued grants and donations to help fund particular projects that might have been funded through the general fund. Grants have helped fund the City's annual tree planting program; police equipment; paramedic training as well as sanitary sewer construction in several areas of the City.

Interest on all City accounts, except when otherwise designated, is another source of revenue for the General Fund. In the past, interest constituted as much as 25 percent of the total budget. Now, because of the drop in interest rates, this source is much less significant.

Security of Persons and Property and General Government are the major activities of the City generating 67 percent of the governmental expenses. Currently, there are 21 full-time sworn officers in the police department. During 2007, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

The fire department consists of 19 full-time and 14 part-time fire fighters. All but three of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. The department handled 1,397 calls for assistance of which approximately 1,040 were for EMS and the rest for fire and fire related incidents.

With several large sanitary sewer construction projects planned or in process, the investment in streets was limited to those streets that experienced sanitary sewer construction or minor repair and resurfacing of various streets.

The City's Funds

Information about the City's major funds starts on page 64. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,839,165 and expenditures of \$17,966,435. The net change in fund balance for the year was most significant in the Capital Improvements Fund showing an increase in fund balance of \$1,905,958, which resulted from the bond issuance to pay down the notes payable recorded in that fund. The net change in fund balance for the year was also significant in the Building Improvements Fund showing a decrease in fund balance of \$1,118,969, which resulted from capital projects recorded in that fund. The General Fund reflected an increase of \$264,309, increasing the beginning restated fund balance of \$1,174,184 to \$1,438,493. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the General Fund, budget basis revenue was the same as the original budget estimates of \$8,625,000. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations of \$7,778,716 was sufficient to meet the expenditures for the year, which ended up at \$7,663,194 or \$115,522 less than anticipated due to a conservative budgeting and spending controls.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal 2007 balances of Capital Assets as compared to 2006:

Table 3
Capital Assets at December 31

	Governmental Activities	
	2007	2006
Land	\$ 1,635,588	\$ 1,587,958
Construction in progress	3,461,768	1,790,077
Land Improvements	1,770,037	1,531,567
Buildings and improvements	6,731,349	6,709,592
Machinery and equipment	1,577,397	1,435,184
Vehicles	1,967,635	1,563,836
Infrastructure:		
Roads	9,670,798	7,730,378
Storm sewers	3,854,121	3,806,310
Sanitary sewers	5,626,251	3,707,942
Water lines	2,381,534	2,381,534
Less: accumulated depreciation	<u>(16,789,772)</u>	<u>(15,653,526)</u>
Total capital assets, net	\$ <u>21,886,706</u>	\$ <u>16,590,852</u>

The City's plan is to maintain its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. The police car replacement plan is to replace 3 vehicles each year. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the roads, sewer lines and water lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are competitively bid to get the best possible pricing from contractors. Related expenditures are paid for out of the Capital Improvement Fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. A five-year capital plan is in place that provides for street improvements and adding additional facilities to complement our current structures.

City of Richmond Heights

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2007

Debt

At December 31, 2007, the City of Richmond Heights had \$18,569,248 in outstanding debt and compensated absences, of which \$10,800,976 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 10,800,976	\$ 7,465,000
OWDA loans	6,459,950	5,719,176
OPWC loan	128,914	133,647
Police pension	47,775	48,643
Compensated absences	<u>1,131,633</u>	<u>1,120,348</u>
Total	\$ <u>18,569,248</u>	\$ <u>14,486,814</u>

At December 31, 2007, the City's overall legal debt margin was \$23,343,174. At year-end, the outstanding general obligation debt was \$10,800,976. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

The City's systems of budgeting and internal controls are and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Richmond Heights with full disclosure of the financial position of the City.

Contacting the City of Richmond Heights's Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Lynda Rossiter, City of Richmond Heights, 26789 Highland Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or web site at www.richmondheightsohio.org or finance.director@richmondheightsohio.org.

City of Richmond Heights

Statement of Net Assets

December 31, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,199,434
Cash with fiscal agent	2,263
Materials and supplies inventory	40,194
Accrued interest receivable	2,104
Accounts receivable	151,233
Intergovernmental receivable	895,588
Prepaid items	51,489
Taxes receivable	5,147,870
Special assessments receivable	5,818,609
Nondepreciable capital assets	5,097,356
Depreciable capital assets, net	<u>16,789,350</u>
Total assets	<u>35,195,490</u>
Liabilities:	
Accounts payable	328,359
Accrued wages and benefits	284,939
Intergovernmental payable	382,477
Accrued interest payable	231,935
Deferred revenue	3,772,206
Long-term liabilities:	
Due within one year	1,190,749
Due in more than one year	<u>17,378,499</u>
Total liabilities	<u>23,569,164</u>
Net assets:	
Invested in capital assets, net of related debt	4,496,866
Restricted for:	
Debt service	206,077
Other purposes	7,896
Unrestricted	<u>6,915,487</u>
Total net assets	<u>\$ 11,626,326</u>

The accompanying notes are an integral part of these financial statements

This page intentionally left blank

City of Richmond Heights

Statement of Activities

For The Year Ended December 31,2007

	<u>Expense</u>	<u>Program Revenues</u>			Net (Expenses)
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Special Assessments</u>	Revenues and Changes in Net Assets
					<u>Total Governmental Funds</u>
Government activities:					
General government	\$ 1,683,568	\$ 379,476	\$ 956	\$ -	\$ (1,303,136)
Security of persons and property	6,151,280	385,711	5,575	-	(5,759,994)
Transportation	1,509,782	59,818	-	4,776,881	3,326,917
Leisure time activities	506,157	155,999	35,242	-	(314,916)
Community development	357,229	117,924	-	-	(239,305)
Basic utility service	662,989	79,647	-	-	(583,342)
Interest and fiscal charges	<u>869,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(869,978)</u>
Total Governmental Activities	\$ <u>11,740,983</u>	\$ <u>1,178,575</u>	\$ <u>41,773</u>	\$ <u>4,776,881</u>	<u>(5,743,754)</u>

General revenues:

Property and other local taxes levied for:

 General purposes

2,352,658

 Debt service

900,446

Municipal income taxes levied for:

 General purposes

4,598,338

Grants and entitlements not restricted

1,942,139

Investment income

158,550

Miscellaneous income

178,737

 Total general revenues

10,130,868

Change in net assets

4,387,114

Net assets at beginning of year

7,239,212

Net assets at end of year

\$ 11,626,326

The accompanying notes are an integral part of these financial statements

City of Richmond Heights

Balance Sheet Governmental Funds

December 31, 2007

	<u>General</u>	<u>Fire Service</u>	<u>Bond Retirement</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ (835,368)	\$ -	\$ 203,814
Cash with fiscal agents	-	-	2,263
Taxes receivable	2,426,401	1,691,611	868,458
Accounts receivable	67,109	-	-
Accrued interest receivable	2,104	-	-
Intergovernmental receivable	576,360	58,060	48,069
Special assessments receivable	-	-	5,818,609
Internal receivable	1,421,545	-	-
Materials and supplies inventory	8,005	1,700	-
Prepaid items	51,489	-	-
Total Assets	<u>\$ 3,717,645</u>	<u>\$ 1,751,371</u>	<u>\$ 6,941,213</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 66,546	\$ 2,855	\$ -
Accrued wages	128,990	128,300	-
Intergovernmental payable	146,349	45,756	-
Internal payable	-	532,875	-
Deferred revenue	<u>1,937,267</u>	<u>1,749,671</u>	<u>6,735,136</u>
Total Liabilities	<u>2,279,152</u>	<u>2,459,457</u>	<u>6,735,136</u>
Fund Balances:			
Reserve for encumbrances	81	-	-
Reserve for inventory	8,005	1,700	-
Unreserved (deficit) for:			
General Fund	1,430,407	-	-
Special Revenue Funds	-	(709,786)	-
Debt Service Fund	-	-	206,077
Capital Projects Funds	-	-	-
Total Fund Balances (deficits)	<u>1,438,493</u>	<u>(708,086)</u>	<u>206,077</u>
Total Liabilities and Fund Balances	<u>\$ 3,717,645</u>	<u>\$ 1,751,371</u>	<u>\$ 6,941,213</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Improvements</u>	<u>Building Improvement</u>	<u>Sewer Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 830,282	\$ -	\$ 1,000,706	\$ 1,199,434
-	-	-	-	2,263
-	-	-	161,400	5,147,870
-	-	-	84,124	151,233
-	-	-	-	2,104
-	-	-	213,099	895,588
-	-	-	-	5,818,609
-	-	-	-	1,421,545
-	-	-	30,489	40,194
-	-	-	-	51,489
<u>\$ -</u>	<u>\$ 830,282</u>	<u>\$ -</u>	<u>\$ 1,489,818</u>	<u>\$ 14,730,329</u>
\$ 2,395	\$ 122,008	\$ 16,579	\$ 117,976	\$ 328,359
-	-	-	27,649	284,939
-	-	-	190,372	382,477
582,042	-	306,628	-	1,421,545
-	-	-	<u>220,442</u>	<u>10,642,516</u>
<u>584,437</u>	<u>122,008</u>	<u>323,207</u>	<u>556,439</u>	<u>13,059,836</u>
136,042	90,534	24,112	39,510	290,279
-	-	-	30,489	40,194
-	-	-	-	1,430,407
-	-	-	540,830	(168,956)
-	-	-	-	206,077
<u>(720,479)</u>	<u>617,740</u>	<u>(347,319)</u>	<u>322,550</u>	<u>(127,508)</u>
<u>(584,437)</u>	<u>708,274</u>	<u>(323,207)</u>	<u>933,379</u>	<u>1,670,493</u>
<u>\$ -</u>	<u>\$ 830,282</u>	<u>\$ -</u>	<u>\$ 1,489,818</u>	<u>\$ 14,730,329</u>

This page intentionally left blank

City of Richmond Heights

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2007

Total Governmental Funds Balances \$ 1,670,493

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. 21,886,706

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property and other taxes	\$ 281,728	
Municipal income taxes	531,152	
Special assessments	5,818,609	
Intergovernmental	<u>238,821</u>	
Total		6,870,310

Accrued wages and benefits include contractual required pension contributions not expected to be paid with expendable available fund resources and therefore not reported in the funds. (47,775)

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

Interest payable	(231,935)	
General obligation bonds	(10,800,976)	
Loans payable	(6,588,864)	
Compensated absences	<u>(1,131,633)</u>	
Total		<u>(18,753,408)</u>

Net Assets of Governmental Activities \$ 11,626,326

The accompanying notes are an integral part of these financial statements

