



Dave Yost • Auditor of State

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

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CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2010 and 2009, 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, 2010 and 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison 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 3 of the 2009 Notes to the Basic Financial Statements, the City restated the December 31, 2008 fund balances of the General, Fire Service and Other Governmental Funds and the net assets of Governmental Activities due to a restatement of cash.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 25, 2012

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The discussion and analysis of the City of Richmond Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements, and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets in governmental activities increased by \$1,974,815 during 2010. This represents a 17 percent increase from 2009.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,709,211.
- City income tax revenue totaled \$4,364,623.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Richmond Heights as a financial whole or as an entire operating entity. The statements provide a detailed look at the City's specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Richmond Heights as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets also need to be evaluated.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

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

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning of Year and Year's End

Reporting the City of Richmond Heights' Most Significant Funds

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Richmond Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental funds and fiduciary funds. The presentation of the City's major funds begins on page 14. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Richmond Heights, the major funds are the general fund, fire service special revenue fund and the bond retirement debt service fund.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. All City activities are reported in the governmental funds focusing on how money flows into and out of those funds and the balances left at year-end available for future spending. Our funds are reported using the modified accrual accounting method. The modified accrual method measures cash and all other financial assets expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine the level of financial resources that can be spent in the near future on residential services. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The City of Richmond Heights as a Whole

Recall that the Statement of Net Assets pictures the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$13,140,617	\$14,054,733	(\$914,116)
Capital Assets, Net	23,787,736	24,185,348	(397,612)
<i>Total Assets</i>	<u>36,928,353</u>	<u>38,240,081</u>	<u>(1,311,728)</u>
Liabilities			
Current and Other Liabilities	4,608,522	4,208,804	399,718
Long-Term Liabilities			
Due Within One Year	1,832,861	1,662,475	170,386
Due in More Than One Year	16,777,759	20,634,406	(3,856,647)
<i>Total Liabilities</i>	<u>23,219,142</u>	<u>26,505,685</u>	<u>(3,286,543)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,447,541	3,290,930	3,156,611
Restricted for:			
Capital Projects	500,729	82,187	418,542
Debt Service	5,888,716	7,672,423	(1,783,707)
Other Purposes	1,005,712	1,022,591	(16,879)
Unrestricted (Deficit)	(133,487)	(333,759)	200,272
<i>Total Net Assets</i>	<u>\$13,709,211</u>	<u>\$11,734,372</u>	<u>\$1,974,839</u>

Net assets may serve as a useful indicator of a government's financial position over time. In the case of the City of Richmond Heights, assets exceeded liabilities by \$13,709,211 at year end. The City's investment in capital assets accounts for 47 percent of total net assets. Capital assets include land, buildings, streets, water lines, storm water lines, vehicles and machinery. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Richmond Heights' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2010 compared to 2009.

Table 2
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
Program Revenues			
Charges for Services	\$909,058	\$1,119,186	(\$210,128)
Operating Grants and Contributions	859,914	626,296	233,618
Capital Grants, Contributions and Assessments	1,325,225	319,118	1,006,107
<i>Total Program Revenues</i>	<u>3,094,197</u>	<u>2,064,600</u>	<u>1,029,597</u>
General Revenues			
Property Taxes	4,077,270	4,682,115	(604,845)
Income Taxes	4,364,623	4,192,185	172,438
Grants and Entitlements	1,208,518	778,452	430,066
Unrestricted Contributions	2,073	2,250	(177)
Investment Earnings	752	10,029	(9,277)
Admissions Tax	66,164	92,318	(26,154)
Miscellaneous	210,089	223,359	(13,270)
<i>Total General Revenues</i>	<u>9,929,489</u>	<u>9,980,708</u>	<u>(51,219)</u>
<i>Total Revenues</i>	<u>13,023,686</u>	<u>12,045,308</u>	<u>978,378</u>
Program Expenses			
General Government	2,033,158	1,927,426	105,732
Security of Persons and Property	5,564,596	5,826,219	(261,623)
Transportation	2,112,324	2,333,075	(220,751)
Leisure Time Activities	380,589	427,696	(47,107)
Community Development	595,884	474,199	121,685
Interest and Fiscal Charges	862,320	769,959	92,361
<i>Total Program Expenses</i>	<u>11,548,871</u>	<u>11,758,574</u>	<u>(209,703)</u>
Extraordinary Item			
Court Settlement	500,000	0	500,000
<i>Change in Net Assets</i>	1,974,815	286,734	1,688,081
Net Assets Beginning of Year	11,734,396	11,447,662	286,734
Net Assets End of Year	<u>\$13,709,211</u>	<u>\$11,734,396</u>	<u>\$1,974,815</u>

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 2010, the revenues generated from this tax amounted to \$4,364,623.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

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 for the fire service. The fire service levy provides for a portion of the operating expenditures of the fire service, 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 2010, 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 taxes 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 DARE program, playground equipment, and the Master Plan.

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 two major activities of the City generating 66 percent of the governmental expenses. Currently, there are 16 full-time sworn officers in the police department. During 2010, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

The fire service consists of 18 full-time and 11 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 service. The department handled 1,457 calls for assistance of which approximately 1,163 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 \$12,152,618 and expenditures of \$14,923,896. The net change in fund balance for the year was most significant in the bond retirement fund showing a decrease in fund balance of \$2,488,496, which resulted from the payment of debt. The general fund reflected a decrease of \$748,463, decreasing the beginning fund balance of \$1,467,772 to \$719,309.

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

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

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.

There was a decrease in revenues from the final budget to actual due to lower municipal income taxes received than expected. There was also a decrease in actual expenditures made compared to the final budget. The City continues to be able to provide the services that the City residents expect while maintaining the costs of providing those services.

Capital Assets and Debt Administration

Capital Assets

Table 3
 Capital Assets at Year End
 (net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$1,635,588	\$1,635,588
Land and Improvements	563,826	697,890
Buildings and Improvements	8,112,479	8,370,260
Machinery and Equipment	360,609	397,792
Vehicles	497,465	540,808
Infrastructure		
Roads	5,095,363	4,989,137
Sanitary Sewers	5,244,854	5,180,531
Storm Sewers	1,872,695	1,920,854
Water Lines	404,857	452,488
Total Capital Assets	\$23,787,736	\$24,185,348

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 three 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. See Note 11 to the basic financial statements for additional information on the City's capital assets.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Debt

As of December 31, 2010, the City of Richmond Heights had the following bonds, loans, notes, police pension liability, and compensated absences outstanding:

Table 4
 Outstanding Long-Term Liabilities at Year End

	Governmental Activities	
	2010	2009
General Obligation Bonds	\$11,428,556	\$12,655,787
OWDA Loans	5,966,390	6,300,248
OPWC Loans	95,623	105,169
Long-Term Notes	0	2,000,000
Police Pension	44,820	45,847
Compensated Absences	1,075,231	1,189,830
Total	\$18,610,620	\$22,296,881

At December 31, 2010, the City's overall legal debt margin was \$20,212,870. More detailed information about the City's long-term liabilities is presented in Note 17 to the basic financial statements.

Current Financial Related Activities

The City of Richmond Heights is strong financially. In addition, the City of Richmond Heights's systems of budgeting and internal controls are well regarded 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'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, Paul Ellis, City of Richmond Heights, 26789 Highland Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or website at www.richmondheightsohio.org or finance.director@richmondheightsohio.org.

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Basic Financial Statements

City of Richmond Heights, Ohio

Statement of Net Assets

December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$209,029
Cash and Cash Equivalents with Fiscal Agents	2,263
Materials and Supplies Inventory	40,894
Intergovernmental Receivable	721,528
Prepaid Items	53,160
Municipal Income Taxes Receivable	1,033,425
Property Taxes Receivable	5,356,057
Special Assessments Receivable	5,600,988
Deferred Charges	123,273
Nondepreciable Capital Assets	1,635,588
Depreciable Capital Assets, Net	<u>22,152,148</u>
<i>Total Assets</i>	<u>36,928,353</u>
Liabilities	
Accounts Payable	190,604
Accrued Wages	120,875
Intergovernmental Payable	293,331
Deferred Revenue	3,878,929
Accrued Interest Payable	124,783
Long-Term Liabilities:	
Due Within One Year	1,832,861
Due In More Than One Year	<u>16,777,759</u>
<i>Total Liabilities</i>	<u>23,219,142</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,447,541
Restricted for:	
Capital Projects	500,729
Debt Service	5,888,716
Other Purposes	1,005,712
Unrestricted (Deficit)	<u>(133,487)</u>
<i>Total Net Assets</i>	<u><u>\$13,709,211</u></u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	General	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$109,030	\$0	\$99,999	\$209,029
Cash and Cash Equivalents					
With Fiscal Agents	0	0	2,263	0	2,263
Materials and Supplies Inventory	8,005	2,400	0	30,489	40,894
Interfund Receivable	102,500	0	72,040	1,281,791	1,456,331
Intergovernmental Receivable	390,862	65,409	61,965	203,292	721,528
Prepaid Items	53,160	0	0	0	53,160
Municipal Income Taxes Receivable	1,033,425	0	0	0	1,033,425
Property Taxes Receivable	1,509,170	2,188,889	1,085,055	572,943	5,356,057
Special Assessments Receivable	0	0	5,600,988	0	5,600,988
<i>Total Assets</i>	<u>\$3,097,122</u>	<u>\$2,365,728</u>	<u>\$6,822,311</u>	<u>\$2,188,514</u>	<u>\$14,473,675</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$117,422	\$16,841	\$0	\$56,341	\$190,604
Accrued Wages	54,401	66,474	0	0	120,875
Interfund Payable	0	290,000	0	1,166,331	1,456,331
Intergovernmental Payable	88,452	36,649	0	168,230	293,331
Deferred Revenue	2,117,538	2,254,298	6,748,008	715,164	11,835,008
<i>Total Liabilities</i>	<u>2,377,813</u>	<u>2,664,262</u>	<u>6,748,008</u>	<u>2,106,066</u>	<u>13,896,149</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	158,130	158,130
Unreserved					
Undesignated, Reported in:					
General Fund	719,309	0	0	0	719,309
Special Revenue Funds (Deficit)	0	(298,534)	0	747,159	448,625
Debt Service Funds	0	0	74,303	0	74,303
Capital Projects Funds (Deficit)	0	0	0	(822,841)	(822,841)
<i>Total Fund Balances (Deficit)</i>	<u>719,309</u>	<u>(298,534)</u>	<u>74,303</u>	<u>82,448</u>	<u>577,526</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,097,122</u>	<u>\$2,365,728</u>	<u>\$6,822,311</u>	<u>\$2,188,514</u>	<u>\$14,473,675</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Total Governmental Fund Balances	\$577,526
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*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.	23,787,736
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	1,477,129
Municipal Income Taxes	359,639
Special Assessments	5,600,988
Intergovernmental	518,323

Total	7,956,079
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(124,783)
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Bond issuance costs are considered deferred charges and will be amortized over the life of the bonds on the statement of net assets.	123,273
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(11,428,556)
Pension Liability	(44,820)
OWDA Loans Payable	(5,966,390)
Intergovernmental Payable	(95,623)
Compensated Absences	(1,075,231)

Total	(18,610,620)
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<i>Net Assets of Governmental Activities</i>	\$13,709,211
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See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,174,042	\$1,589,865	\$822,369	\$158,794	\$3,745,070
Municipal Income Taxes	4,436,243	0	0	0	4,436,243
Admissions Tax	66,164	0	0	0	66,164
Charges for Services	22,215	0	0	314,332	336,547
Fines, Licenses and Permits	408,727	0	0	650	409,377
Intergovernmental	1,044,128	131,964	118,860	874,612	2,169,564
Special Assessments	0	0	610,705	0	610,705
Interest	752	0	0	0	752
Donations	2,073	0	0	2,900	4,973
Rentals	149,479	0	0	13,655	163,134
Miscellaneous	68,216	25	0	141,848	210,089
<i>Total Revenues</i>	<u>7,372,039</u>	<u>1,721,854</u>	<u>1,551,934</u>	<u>1,506,791</u>	<u>12,152,618</u>
Expenditures					
Current:					
General Government	1,506,503	0	0	381,809	1,888,312
Security of Persons and Property	2,615,499	1,975,816	0	888,574	5,479,889
Transportation	1,130,310	0	0	435,843	1,566,153
Leisure Time Activities	214,970	0	0	89,730	304,700
Community Development	415,445	0	0	19	415,464
Capital Outlay	0	0	0	749,020	749,020
Debt Service:					
Principal Retirement	0	0	3,574,064	1,027	3,575,091
Interest and Fiscal Charges	0	0	943,331	1,936	945,267
<i>Total Expenditures</i>	<u>5,882,727</u>	<u>1,975,816</u>	<u>4,517,395</u>	<u>2,547,958</u>	<u>14,923,896</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,489,312</u>	<u>(253,962)</u>	<u>(2,965,461)</u>	<u>(1,041,167)</u>	<u>(2,771,278)</u>
Other Financing Sources (Uses)					
OWDA Loans Issued	0	0	0	30,660	30,660
Transfers In	10,000	825,000	1,676,965	1,710,810	4,222,775
Transfers Out	(2,747,775)	0	(1,200,000)	(275,000)	(4,222,775)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,737,775)</u>	<u>825,000</u>	<u>476,965</u>	<u>1,466,470</u>	<u>30,660</u>
Extraordinary Item					
Proceeds from Court Settlement	500,000	0	0	0	500,000
<i>Net Change in Fund Balances</i>	<u>(748,463)</u>	<u>571,038</u>	<u>(2,488,496)</u>	<u>425,303</u>	<u>(2,240,618)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>1,467,772</u>	<u>(869,572)</u>	<u>2,562,799</u>	<u>(342,855)</u>	<u>2,818,144</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$719,309</u>	<u>(\$298,534)</u>	<u>\$74,303</u>	<u>\$82,448</u>	<u>\$577,526</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$2,240,618)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	940,014	
Current Year Depreciation	(1,337,626)	
Total		(397,612)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	332,200	
Intergovernmental	34,186	
Special Assessments	576,302	
Municipal Income Taxes	(71,620)	
Total		871,068

Other financing sources, such as OWDA Loans issued, in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities: (30,660)

Repayment of bond, note and loan principal are expenditures in the governmental funds, but the repayments reduce the long-term liabilities in the statement of net assets: 3,575,091

In the statement of activities, interest is accrued on outstanding bonds, bond premium is amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued:

Accrued Interest	68,043	
Amortization of Gain on Refunding	725	
Amortization of Bond Premium	26,506	
Amortization of Issuance Costs	(12,327)	
Total		82,947

Some expenses, such as compensated absences, 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. 114,599

Change in Net Assets of Governmental Activities \$1,974,815

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$995,187	\$1,180,656	\$1,174,042	(6,614)
Municipal Income Taxes	3,760,422	4,461,234	4,436,243	(24,991)
Admissions Tax	56,085	66,537	66,164	(373)
Charges for Services	18,831	22,340	22,215	(125)
Fines, Licenses and Permits	422,428	501,153	498,346	(2,807)
Intergovernmental	866,729	1,028,257	1,022,497	(5,760)
Interest	637	756	752	(4)
Donations	1,757	2,085	2,073	(12)
Rentals	126,707	150,321	149,479	(842)
Miscellaneous	84,938	71,658	68,566	(3,092)
<i>Total Revenues</i>	<u>6,333,721</u>	<u>7,484,997</u>	<u>7,440,377</u>	<u>(44,620)</u>
Expenditures				
Current:				
General Government	1,519,483	1,492,233	1,478,180	14,053
Security of Persons and Property	2,621,688	2,623,688	2,602,969	20,719
Transportation	1,104,951	1,111,951	1,097,013	14,938
Leisure Time Activities	209,524	213,899	212,543	1,356
Community Development	425,665	425,165	415,587	9,578
<i>Total Expenditures</i>	<u>5,881,311</u>	<u>5,866,936</u>	<u>5,806,292</u>	<u>60,644</u>
<i>Excess of Revenues Over Expenditures</i>	<u>452,410</u>	<u>1,618,061</u>	<u>1,634,085</u>	<u>16,024</u>
Other Financing Sources (Uses)				
Transfers In	5,489	10,168	10,000	(168)
Transfers Out	(858,180)	(2,762,775)	(2,747,775)	15,000
<i>Total Other Financing Sources (Uses)</i>	<u>(852,691)</u>	<u>(2,752,607)</u>	<u>(2,737,775)</u>	<u>14,832</u>
Extraordinary Item				
Proceeds from Court Settlement	400,000	500,000	500,000	0
<i>Net Change in Fund Balance</i>	(281)	(634,546)	(603,690)	30,856
<i>Fund Balance Beginning of Year</i>	724,741	724,741	724,741	0
Prior Year Encumbrances Appropriated	190	190	190	0
<i>Fund Balance End of Year</i>	<u>\$724,650</u>	<u>\$90,385</u>	<u>\$121,241</u>	<u>\$30,856</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Service Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$1,252,511	\$1,597,135	\$1,589,865	(\$7,270)
Intergovernmental	103,962	132,567	131,964	(603)
Miscellaneous	20	25	25	0
<i>Total Revenues</i>	1,356,493	1,729,727	1,721,854	(7,873)
Expenditures				
Current:				
Security of Persons and Property	1,923,066	2,010,113	2,001,762	8,351
<i>Excess of Revenues Under Expenditures</i>	(566,573)	(280,386)	(279,908)	478
Other Financing Sources (Uses)				
Transfers In	649,943	828,773	825,000	(3,773)
<i>Net Change in Fund Balance</i>	83,370	548,387	545,092	(3,295)
<i>Fund Deficit Beginning of Year</i>	(436,347)	(436,347)	(436,347)	0
<i>Fund Balance (Deficit) End of Year</i>	(\$352,977)	\$112,040	\$108,745	(\$3,295)

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Fiduciary Net Assets and Liabilities
Agency Funds
December 31, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$367,947</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$367,947</u></u>
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See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 – Description of the City and 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.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, 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, 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 a shared risk pool, an insurance purchasing pool, two jointly governed organizations, and a related organization. These organizations are presented in notes 15, 16, 18, and 19 to the financial statements. These organizations are:

Shared Risk Pool: Northern Ohio Risk Management Association

Insurance Purchasing Pool: Ohio Association of Public Treasurers

Jointly Governed Organization: Eastern Suburban Regional Council of Governments

Related Organization: Greenwood Farms Historical, Cultural, and Arts Association

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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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 three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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:

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

Fire Service Fund The fire service special revenue fund accounts for the accumulation of resources for, and the payment of expenditures relating to fire services.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Bond Retirement Fund The bond retirement debt service fund accounts for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. 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 only has agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for donations from citizens held for and used by senior citizens for home visitations, street opening fees, and deposits pledged by contractors.

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. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty 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 7) Revenue from grants,

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 (including gasoline tax and motor vehicle license fees), grants, fees and rentals.

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, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. 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 had no investments during the year or at year end.

The City utilizes a fiscal agent to hold retainage on construction contracts. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents."

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue is distributed to the general fund. Interest revenue credited to the general fund during 2010 amounted to \$752, all of which was assigned from other funds.

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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	N/A
Land Improvements	45 years
Buildings and Improvements	45 years
Machinery and Equipment	7 - 20 years
Vehicles	6 - 12 years
Infrastructure	65 years

The City's infrastructure consists of roads, storm sewers, sanitary sewers, and water lines and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net assets.

Compensated Absences

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

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, compensated absences, and contractually required pension contributions 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 governmental fund financial statements when due.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include law enforcement, court computerization, recycling, tree planting and natureworks.

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, issuance costs are reported as an expenditure in the fiscal year in which the bonds are issued. Bond issuance costs are generally paid from bond proceeds.

As permitted by State Statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Deferred Gain on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the various purpose refunding bonds and the net carrying amount of the old debt, the deferred amount on refunding, is being amortized as a component of interest expense. The accounting gain is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as part of the general obligation bonds payable on the statement of net assets.

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. During 2010, the City received \$500,000 from a court settlement, which was recorded as an extraordinary item.

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.

Budgetary Process

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

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

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

Note 3 – Changes in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets.” GASB 51 Statement No. 51 establishes accounting and financial reporting of intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City’s financial statements.

Note 4 – Accountability and Compliance

Accountability

Fund balances at December 31, 2010, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds</i>	
Fire Service	\$298,534
Police Pension	59,766
Fire Pension	76,613
<i>Capital Projects Funds</i>	
Capital Improvement	808,913
Building Improvement	80,488
Sewer Improvement	276,039

The deficits are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for the deficits in these funds and provides transfers when cash is required, not when accruals occur.

Compliance

The City had a negative cash balance in several funds, indicating that revenue from other sources were used to pay the obligations of these funds, contrary to Ohio Revised Code Section 5705.10. In order to eliminate future negative cash, the City will make cash advances during the year. The funds that had negative cash balances are as follows:

	Deficit
Capital Improvements	\$769,036
Building Improvements	80,488

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The fire service fund had original appropriations of \$1,923,066 in excess of estimated resources plus carryover balances of \$1,570,089. This deficit of \$352,977 is contrary to Section 5705.39, Revised Code.

The capital improvement fund had final appropriations of \$208,420 in excess of estimated resources plus carryover balances of (\$553,768). This deficit of \$762,188 is contrary to Section 5705.39, Revised Code.

Although these violations were not corrected by year end, management has indicated that appropriations and certifications will be closely monitored to ensure no future violations occur.

Note 5 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general and fire service funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts expended but not included as expenditures on the budgetary statements, but which is reported on the operating statements prepared using GAAP.

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the Budget basis are as follows:

	Net Change in Fund Balance	
	General	Fire Service
	<u> </u>	<u> </u>
GAAP Basis	(\$748,463)	\$571,038
Net Adjustment for Revenue Accruals	68,338	0
Beginning Unrecorded Cash	(105,116)	0
Ending Unrecorded Cash	104,097	0
Net Adjustment for Expenditure Accruals	80,202	(25,661)
Encumbrances	<u>(2,748)</u>	<u>(285)</u>
Budget Basis	<u><u>(\$603,690)</u></u>	<u><u>\$545,092</u></u>

City of Richmond Heights, Ohio
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Note 6 – Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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;

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2010

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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 carrying amount of the City's deposits was \$579,242, and the bank balance was \$709,857. Of the City's bank balance \$273,208 was covered by Federal Depository Insurance and \$436,649 was uninsured and uncollateralized. 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.

Note 7 – Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and, permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments and accrued interest on investments.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$5,154,021 in the bond retirement fund.

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2010

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 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies; however, the City received no tangible personal property tax revenue from telephone company property. 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 by September 20.

The full tax rate for all City operations for the year ended December 31, 2010 was \$8.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$196,175,090
Other Real Estate	99,389,770
Tangible Personal Property	
Public Utility	2,611,960
Total Assessed Values	\$298,176,820

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2010

Income Tax

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 2009, the proceeds were allocated one hundred percent to the general fund.

Intergovernmental Receivables

A summary of the intergovernmental receivables follows:

Governmental Activities	
Homestead and Rollback	\$237,468
Gas Tax	190,898
Local Government	189,333
Estate Tax	<u>103,829</u>
Total	<u><u>\$721,528</u></u>

Note 8 – Interfund Transfers and Balances

Interfund Transfers

Interfund transfers for the year ended December 31, 2010 consisted of the following:

Transfer To	Transfers From			Totals
	General	Bond Retirement	Other Governmental Funds	
General Fund	\$0	\$0	\$10,000	\$10,000
Fire Service Fund	825,000	0	0	825,000
Bond Retirement Fund	1,676,965	0	0	1,676,965
Other Governmental Funds	245,810	1,200,000	265,000	1,710,810
<i>Total All Funds</i>	<u><u>\$2,747,775</u></u>	<u><u>\$1,200,000</u></u>	<u><u>\$275,000</u></u>	<u><u>\$4,222,775</u></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. A transfer from the general fund to the fire service fund was to fund its operations. Transfers from the general fund to the capital improvements fund was for the purchase of capital assets. Transfers from the bond retirement fund to the street improvements fund, the sewer improvements fund, and the capital improvements capital projects funds were to distribute proceeds of the new bond.

City of Richmond Heights, Ohio
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Interfund Balances

Interfund Payables	Interfund Receivables			Totals
	General Fund	Bond Retirement	Other Governmental Funds	
Fire Service Fund	\$0	\$0	\$290,000	\$290,000
Other Governmental Funds	102,500	72,040	991,791	1,166,331
<i>Total All Funds</i>	\$102,500	\$72,040	\$1,281,791	\$1,456,331

The advances to the general, fire service special revenue fund, and other governmental funds were set up to provide cash for the respective funds to support its operations on an interim basis.

Note 9 – Contingencies

Grants

For the period January 1, 2010, to December 31, 2010, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

Litigation

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 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 960 hours for all City employees.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 11 – Capital Assets

A summary of changes in capital assets during 2010 follows:

Governmental Activities	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,635,588	\$0	\$0	\$1,635,588
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,786,198	0	0	1,786,198
Buildings and Improvements	10,758,391	0	0	10,758,391
Machinery and Equipment	1,807,234	62,629	0	1,869,863
Vehicles	1,944,604	75,171	0	2,019,775
Infrastructure:				
Roads	11,651,807	575,050	0	12,226,857
Storm Sewers	3,854,121	0	0	3,854,121
Sanitary Sewers	7,828,041	227,164	0	8,055,205
Water Lines	2,381,534	0	0	2,381,534
<i>Total Capital Assets being Depreciated</i>	<u>42,011,930</u>	<u>940,014</u>	<u>0</u>	<u>42,951,944</u>
Less Accumulated Depreciation:				
Land Improvements	(1,088,308)	(134,064)	0	(1,222,372)
Buildings and Improvements	(2,388,131)	(257,781)	0	(2,645,912)
Machinery and Equipment	(1,409,442)	(99,812)	0	(1,509,254)
Vehicles	(1,403,796)	(118,514)	0	(1,522,310)
Infrastructure:				
Roads	(6,662,670)	(468,824)	0	(7,131,494)
Storm Sewers	(1,933,267)	(48,159)	0	(1,981,426)
Sanitary Sewers	(2,647,510)	(162,841)	0	(2,810,351)
Water Lines	(1,929,046)	(47,631)	0	(1,976,677)
<i>Total Accumulated Depreciation</i>	<u>(19,462,170)</u>	<u>(1,337,626) *</u>	<u>0</u>	<u>(20,799,796)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>22,549,760</u>	<u>(397,612)</u>	<u>0</u>	<u>22,152,148</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$24,185,348</u>	<u>(\$397,612)</u>	<u>\$0</u>	<u>\$23,787,736</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$142,031
Security of Persons and Property	260,992
Transportation	637,147
Community Environment	210,472
Leisure Time Activities	86,984
Total Depreciation Expense	<u>\$1,337,626</u>

Note 12 – Defined Benefit Pension Plans

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,

City of Richmond Heights, Ohio
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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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009 and 2008 were \$298,841, \$170,521 and \$299,633, respectively. For 2010, 99.3 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$5,494 made by the City and \$3,924 made by plan members.

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

City of Richmond Heights, Ohio
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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 – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$301,187 and \$341,818 for the year ended December 31, 2010, \$204,833 and \$279,732 for the year ended December 31, 2009, and \$286,564 and \$313,460 for the year ended December 31, 2008, respectively. For 2010, 83.57 percent for police and 80.64 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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, 2010, the unfunded liability of the City was \$44,820, payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 13 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, 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 administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority

City of Richmond Heights, Ohio
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requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$170,350, \$123,481, and \$149,817, respectively. For 2010, 99.3 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Police and Firemen's Disability and Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

City of Richmond Heights, Ohio
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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 – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$159,451 and \$133,755 for the year ended December 31, 2010, \$108,441 and \$109,460 for the year ended December 31, 2009, and \$99,511 and \$89,029 for the year ended December 31, 2008. For 2010, 83.57 percent has been contributed for police and 80.64 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 14 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund (See Note 15). The City pays an annual premium to NORMA for its insurance coverage. The agreement of 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 paid from the general fund.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

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Workers' Compensation

The City participates in the Ohio Association of Public Treasurers (OAPT) rating pool (See Note 16). The intent of the OAPT is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management by virtue of its grouping and representation with other participants. The workers' compensation experience rating of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OAPT. Each participant pays its workers' compensation premium to the State based on the rate for the OAPT group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OAPT. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OAPT. Participation in the OAPT is limited to cities that can meet the OAPT's selection criteria. The firm of Integrated Consulting Services provides administrative, cost control and actuarial services to the OAPT.

Employee Insurance Benefits

The City provides medical, dental, vision and prescription drug benefits for all full-time employees through Anthem Blue Cross/Blue Shield, 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 \$1,178 for family coverage, \$830 for an employee plus one additional person and \$403 for single coverage.

Note 15 - Shared Risk Pool

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

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993 and the City of University Heights, whose commencement date is October 1, 2008. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2010, the City of Richmond Heights paid \$90,902 in premiums from the general fund, which represents 5.59 percent of total premiums. Financial information can be obtained by contacting the fiscal

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

Note 16 – Insurance Purchasing Pool

The Ohio Association of Public Treasurers rating pool has created a group insurance pool for the purpose of creating a group rating plan for workers’ compensation. The governing body is comprised of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the City and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Integrated Consulting to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on claims experience of each member as compared to the total claims experience of the group.

Note 17 – Long-Term Obligations

The original issue date, interest rate, original issuance amount and maturity date for each of the City’s long-term obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation				
Street Improvements - 2000	2000	5.30%	\$875,000	December 1, 2010
Street Improvements - 2001	2001	3.35 - 4.35	600,000	December 1, 2010
Various Purpose - 2005	2005	3.47	3,990,000	December 1, 2015
Various Purpose - 2007	2007	3.75 - 4.0	4,125,000	December 1, 2021
Fire Station Bay Addition - 2008	2008	4.00-5.50	400,000	December 1, 2021
Various Purpose - 2009	2009	3.0-5.0	5,259,999	December 1, 2020
OWDA Loans				
Monticello Avenue Sewer	1995	4.56	200,000	January 1, 2015
Chardon Road Sewer	1999	4.56	1,554,105	January 1, 2019
Brushview Road Sewer	2000	4.12	439,366	January 1, 2020
Highland Road - Meadowlane	2001	3.79	648,031	January 1, 2021
Richmond Road	2003	3.90	923,490	January 1, 2023
Sunset/Skyline Sewer Construction	2004	3.20-3.59	1,036,790	January 1, 2024
Dunbarton/Cary Jay - Construction	2005	3.41	564,812	January 1, 2025
Richmond Road et al Sewers	2006	3.35	1,265,403	January 1, 2026
Richmond Road and Side Streets	2008	3.25	1,769,784	January 1, 2028
Intergovernmental Payable				
City of Highland Heights	2002	0.00	190,923	January 1, 2020
Long-Term Notes				
Street Improvement Note	2009	3.85	1,475,000	January 14, 2010
Building Improvement Note	2009	3.85	525,000	January 14, 2010

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

A schedule of changes in bonds and other long-term obligations of the City during 2010 follows:

	Principal Outstanding 12/31/2009	Additions	Deletions	Principal Outstanding 12/31/2010	Amounts Due in One Year
Governmental Activities					
<i>General Obligations Bonds:</i>					
Street Improvements - 2000	\$110,000	\$0	(\$110,000)	\$0	\$0
Street Improvements - 2001	70,000	0	(70,000)	0	0
Various Purpose - 2005	2,565,000	0	(385,000)	2,180,000	400,000
Various Purpose - 2007	4,035,000	0	(270,000)	3,765,000	360,000
Unamortized Premium	22,266		(1,855)	20,411	0
Fire Station Bay Addition	330,000	0	(75,000)	255,000	80,000
Unamortized Premium	8,920	0	(2,230)	6,690	0
Various Purpose - 2009					
Refunding	2,139,999	0	0	2,139,999	205,000
General Obligation	3,120,000	0	(290,000)	2,830,000	290,000
Unamortized Premium	246,632	0	(22,421)	224,211	0
Accounting Gain	7,970	0	(725)	7,245	0
<i>Total General Obligation Bonds</i>	<u>12,655,787</u>	<u>0</u>	<u>(1,227,231)</u>	<u>11,428,556</u>	<u>1,335,000</u>
<i>OWDA Loans:</i>					
Monticello Avenue Sewer	73,933	0	(12,115)	61,818	12,673
Chardon Road Sewer	911,614	0	(78,592)	833,022	82,217
Burshview Road Sewer	274,435	0	(21,372)	253,063	22,262
Highland Road - Meadowlane	430,302	0	(30,488)	399,814	31,655
Richmond Road	697,295	0	(40,120)	657,175	41,700
Sunset/Skyline Sewer Construction	833,794	0	(44,730)	789,064	46,350
Dunbarton/Cary Jay Construction	476,899	0	(23,806)	453,093	24,625
Richmond Road et al Sewers	1,000,427	0	(46,289)	954,138	47,853
Richmond Road and Side Streets	1,601,549	30,660	(67,006)	1,565,203	69,201
<i>Total OWDA Loans</i>	<u>6,300,248</u>	<u>30,660</u>	<u>(364,518)</u>	<u>5,966,390</u>	<u>378,536</u>
<i>Other Long-Term Liabilities:</i>					
City of Highland Heights	105,169	0	(9,546)	95,623	9,546
Long Term Notes	2,000,000	0	(2,000,000)	0	0
Police Pension Liability	45,847	0	(1,027)	44,820	1,071
Compensated Absences	1,189,830	212,665	(327,264)	1,075,231	108,708
<i>Total Other Long-Term Liabilities</i>	<u>3,340,846</u>	<u>212,665</u>	<u>(2,337,837)</u>	<u>1,215,674</u>	<u>119,325</u>
<i>Total Governmental Activities</i>	<u>\$22,296,881</u>	<u>\$243,325</u>	<u>(\$3,929,586)</u>	<u>\$18,610,620</u>	<u>\$1,832,861</u>

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 OWDA loans 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.

City of Richmond Heights, Ohio
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Lines of credit have been established with the Ohio Water Development Authority in the amount of \$1,793,207 for the Richmond Road and Side Street project. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

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, 2010, is \$95,623 and has been recorded as a long-term liability in the government-wide financial statements and will be repaid from special assessments levied on the affected properties.

In 2009, the City defeased a 2001 law enforcement general obligation bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2010, \$2,140,000 of the defeased bonds are still outstanding.

The police pension liability will be paid from property tax revenue in the police pension fund. The compensated absences will be paid from the general and fire service funds.

During 2009, the City issued \$2,000,000 of bond anticipation notes at a rate of 3.85 percent which matured in 2010. These notes were used for the street resurfacing and building improvements. The notes are backed by the full faith and credit of the City.

The City's overall legal debt margin was \$20,212,870 at December 31, 2010. The unvoted legal debt margin was \$5,304,029.

Principal and interest requirements to retire the general obligation bonds, OWDA loans, OPWC loan, and the police pension liability as of December 31, 2010, are as follows:

	<u>General Obligation Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$1,335,000	\$354,969	\$309,335	\$164,739
2012	1,375,000	324,157	321,634	152,441
2013	1,395,000	292,156	334,429	139,650
2014	1,355,000	259,332	347,739	126,336
2015	1,380,000	230,482	353,916	112,484
2016-2020	4,024,999	751,113	1,750,197	348,292
2021-2025	305,000	12,200	944,881	81,749
2026-2029	0	0	39,056	654
Total	<u>\$11,169,999</u>	<u>\$2,224,409</u>	<u>\$4,401,187</u>	<u>\$1,126,345</u>

City of Richmond Heights, Ohio
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	Intergovernmental Payable		Police Pension	
	Principal		Principal	Interest
2011	\$9,546		\$1,071	\$1,892
2012	9,546		1,117	1,846
2013	9,546		1,165	1,798
2014	9,546		1,215	1,748
2015	9,546		1,267	1,696
2016-2020	47,893		7,198	7,616
2021-2025	0		8,883	5,931
2026-2030	0		10,961	3,852
2031-2035	0		11,943	1,291
Total	\$95,623		\$44,820	\$27,670

Note 18 – Jointly Governed Organization

Eastern Suburban Regional Council of Governments

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

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

In 2010, 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.

Note 19 – Related Organization

The City 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 Association is governed by a Board of Directors. 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. Financial information can be obtained from the Association, David H. Roche, President, 26789 Highland Road, Richmond Heights, Ohio, 44143.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
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Note 20 – Subsequent Event

On August 4, 2011 the City issued \$1,000,000 in bond anticipation notes at 2.0 percent maturing on August 3, 2012 for street resurfacing.

On June 21, 2012, the City issued \$1,190,000 in bond anticipation notes at 1.19 percent maturing on June 21, 2013 for street resurfacing.

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City of Richmond Heights
Management's Discussion and Analysis
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The discussion and analysis of the City of Richmond Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter, the basic financial statements, and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets in governmental activities increased by \$286,734 during 2009. This represents a 3 percent increase from 2008.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,734,396.
- City income tax revenue totaled \$4,192,185.
- The City issued \$3,120,000 in various purpose general obligation bonds and \$2,139,999 in general obligation refunding bonds at interest rates varying from 3.0 percent to 5.0 percent.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Richmond Heights as a financial whole or as an entire operating entity. The statements provide a detailed look at the City's specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Richmond Heights as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets also needs to be evaluated.

City of Richmond Heights
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The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning of Year and Year's End

Reporting the City of Richmond Heights' Most Significant Funds

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Richmond Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental funds and fiduciary funds. The presentation of the City's major funds begins on page 56. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Richmond Heights, the major funds are the general fund, fire service special revenue fund, and the bond retirement debt service fund.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. All City activities are reported in the governmental funds focusing on how money flows into and out of those funds and the balances left at year-end available for future spending. Our funds are reported using the modified accrual accounting method. The modified accrual method measures cash and all other financial assets expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine the level of financial resources that can be spent in the near future on residential services. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

City of Richmond Heights
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The City of Richmond Heights as a Whole

Recall that the Statement of Net Assets pictures the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$14,054,733	\$10,981,807	\$3,072,926
Capital Assets, Net	24,185,348	23,823,379	361,969
<i>Total Assets</i>	<u>38,240,081</u>	<u>34,805,186</u>	<u>3,434,895</u>
Liabilities			
Current and Other Liabilities	4,208,804	4,989,385	(780,581)
Long-Term Liabilities			
Due Within One Year	1,662,475	1,376,571	285,904
Due in More Than One Year	20,634,406	16,991,568	3,642,838
<i>Total Liabilities</i>	<u>26,505,685</u>	<u>23,357,524</u>	<u>3,148,161</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,290,930	6,672,632	(3,381,702)
Restricted for:			
Capital Projects	82,187	0	82,187
Debt Service	7,672,423	0	7,672,423
Other Purposes	1,022,615	7,896	1,014,719
Unrestricted (Deficit)	<u>(333,759)</u>	<u>4,767,134</u>	<u>(5,100,893)</u>
<i>Total Net Assets</i>	<u>\$11,734,396</u>	<u>\$11,447,662</u>	<u>\$286,734</u>

Net assets may serve as a useful indicator of a government's financial position over time. In the case of the City of Richmond Heights, assets exceeded liabilities by \$11,734,396 at year end. The City's investment in capital assets accounts for 28 percent of total net assets. Capital assets include land, buildings, streets, water lines, storm water lines, and machinery. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Richmond Heights' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net assets increased during the current year. One contributing factor to this increase is that current liabilities decreased from 2008.

City of Richmond Heights
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for the year ended December 31, 2009 compared to 2008.

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Program Revenues			
Charges for Services	\$1,119,186	\$1,154,682	(\$35,496)
Operating Grants and Contributions	626,296	1,380	624,916
Capital Grants, Contributions and Assessments	319,118	51,818	267,300
<i>Total Program Revenues</i>	<u>2,064,600</u>	<u>1,207,880</u>	<u>856,720</u>
General Revenues			
Property Taxes	4,682,115	4,242,467	439,648
Income Taxes	4,192,185	4,717,603	(525,418)
Grants and Entitlements	778,452	1,872,022	(1,093,570)
Unrestricted Contributions	2,250	0	2,250
Investment Earnings	10,029	2,112	7,917
Admissions Tax	92,318	0	92,318
Miscellaneous	223,359	348,132	(124,773)
<i>Total General Revenues</i>	<u>9,980,708</u>	<u>11,182,336</u>	<u>(1,201,628)</u>
<i>Total Revenues</i>	<u>12,045,308</u>	<u>12,390,216</u>	<u>(344,908)</u>
Program Expenses			
General Government	1,927,426	1,755,317	172,109
Security of Persons and Property	5,826,219	6,403,653	(577,434)
Transportation	2,333,075	2,601,034	(267,959)
Leisure Time Activities	427,696	513,131	(85,435)
Community Development	474,199	454,189	20,010
Basic Utility Services	0	298,091	(298,091)
Interest and Fiscal Charges	769,959	543,465	226,494
<i>Total Program Expenses</i>	<u>11,758,574</u>	<u>12,568,880</u>	<u>(810,306)</u>
<i>Change in Net Assets</i>	286,734	(178,664)	465,398
Net Assets Beginning of Year	11,447,662	11,626,326	(178,664)
Net Assets End of Year	<u>\$11,734,396</u>	<u>\$11,447,662</u>	<u>\$286,734</u>

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 2009, the revenues generated from this tax amounted to \$4,192,185.

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 a one-mill levy for the fire service. The fire service levy provides for a portion of the operating expenditures of the fire service, the remainder of funding comes from the general fund.

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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 2009, 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 taxes 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 DARE program, playground equipment, and the Master Plan.

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 68 percent of the governmental expenses. Currently, there are 16 full-time sworn officers in the police department. During 2009, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

The fire service consists of 18 full-time and 11 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 service. The department handled 1,457 calls for assistance of which approximately 1,163 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 56. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,474,721 and expenditures of \$13,473,921. The net change in fund balance for the year was most significant in the general bond retirement fund showing an increase in fund balance of \$2,621,705, which resulted from the bond issuance. The general fund reflected a decrease of \$306,863, decreasing the beginning fund balance of \$1,774,635 to \$1,467,772.

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.

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For the general fund, budget basis revenue was the same as the original budget estimates of \$7,284,108. The budgeted appropriations of \$6,632,967 was not sufficient to meet the expenditures for the year, which ended up at \$6,658,887 or \$25,920 more than anticipated due to unanticipated expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 3
 Capital Assets at Year End
 (Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$1,635,588	\$1,635,588
Land and Improvements	697,890	832,219
Buildings and Improvements	8,370,260	8,279,999
Machinery and Equipment	397,792	529,435
Vehicles	540,808	684,570
Infrastructure		
Roads	4,989,137	4,292,576
Sanitary Sewers	5,180,531	5,099,860
Storm Sewers	1,920,854	1,969,013
Water Lines	452,488	500,119
Total Capital Assets	\$24,185,348	\$23,823,379

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 three 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. See Note 9 to the basic financial statements for additional information on the City's capital assets.

City of Richmond Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Debt

As of December 31, 2009, the City of Richmond Heights had the following bonds, loans, notes, police pension liability, and compensated absences outstanding:

Table 4
 Outstanding Debt at Year End

	Governmental Activities	
	2009	2008
General Obligation Bonds	\$12,655,787	\$10,395,271
OWDA Loans	6,300,248	6,640,761
OPWC Loans	105,169	114,715
Long-Term Notes	2,000,000	0
Police Pension	45,847	46,831
Compensated Absences	1,189,830	1,170,561
Total	\$22,296,881	\$18,368,139

At December 31, 2009, the City's overall legal debt margin was \$20,431,674. More detailed information about the City's long-term liabilities is presented in Note 16 to the basic financial statements.

During 2009, the City issued \$3,120,000 in various purpose general obligation bonds and \$2,139,999 in general obligation refunding bonds. Proceeds were used to refund \$2,300,000 of the outstanding 2001 law enforcement bonds. The City also issued two notes during 2009, one for street improvement and the other for building improvement.

Current Financial Related Activities

The City of Richmond Heights is strong financially. In addition, the City of Richmond Heights's systems of budgeting and internal controls are well regarded 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'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, Paul Ellis, City of Richmond Heights, 457 Richmond Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or website at www.richmondheightsohio.org or finance.director@richmondheightsohio.org.

City of Richmond Heights, Ohio

Statement of Net Assets

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,259,619
Cash and Cash Equivalents with Fiscal Agent	2,263
Materials and Supplies Inventory	40,894
Accounts Receivable	165,054
Intergovernmental Receivable	694,204
Prepaid Items	59,211
Municipal Income Taxes Receivable	1,105,045
Property Taxes Receivable	4,568,157
Special Assessments Receivable	5,024,686
Deferred Charges	135,600
Nondepreciable Capital Assets	1,635,588
Depreciable Capital Assets, Net	<u>22,549,760</u>
<i>Total Assets</i>	<u>38,240,081</u>
Liabilities	
Accounts Payable	133,888
Accrued Wages	158,967
Intergovernmental Payable	299,895
Deferred Revenue	3,423,228
Accrued Interest Payable	192,826
Long-Term Liabilities:	
Due Within One Year	1,662,475
Due In More Than One Year	<u>20,634,406</u>
<i>Total Liabilities</i>	<u>26,505,685</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,290,930
Restricted for:	
Capital Projects	82,187
Debt Service	7,672,423
Other Purposes	1,022,615
Unrestricted (Deficit)	<u>(333,759)</u>
<i>Total Net Assets</i>	<u><u>\$11,734,396</u></u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments	Revenue and Changes in Net Assets
Governmental Activities					
General Government	\$1,927,426	\$299,106	\$1,745	\$0	(\$1,626,575)
Security of Persons and Property	5,826,219	540,102	171,053	0	(5,115,064)
Transportation	2,333,075	128,989	453,498	113,278	(1,637,310)
Leisure Time Activities	427,696	101,314	0	0	(326,382)
Community Development	474,199	49,675	0	205,840	(218,684)
Interest and Fiscal Charges	769,959	0	0	0	(769,959)
<i>Total Governmental Activities</i>	<u>\$11,758,574</u>	<u>\$1,119,186</u>	<u>\$626,296</u>	<u>\$319,118</u>	<u>(9,693,974)</u>
General Revenues					
Property Taxes Levied for:					
					1,517,112
					1,018,180
					2,146,823
Municipal Income Taxes Levied for					
					4,192,185
Grants and Entitlements not Restricted					
					778,452
					2,250
					10,029
					92,318
					223,359
<i>Total General Revenues</i>					<u>9,980,708</u>
Change in Net Assets					286,734
<i>Net Assets Beginning of Year - Restated (see Note 3)</i>					<u>11,447,662</u>
<i>Net Assets End of Year</i>					<u>\$11,734,396</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$1,732,125	\$527,494	\$2,259,619
Cash and Cash Equivalents					
With Fiscal Agents	0	0	2,263	0	2,263
Materials and Supplies Inventory	8,005	2,400	0	30,489	40,894
Accounts Receivable	72,965	0	0	92,089	165,054
Interfund Receivable	702,423	0	828,411	540,040	2,070,874
Intergovernmental Receivable	343,879	78,480	55,940	215,905	694,204
Prepaid Items	59,211	0	0	0	59,211
Municipal Income Taxes Receivable	1,105,045	0	0	0	1,105,045
Property Taxes Receivable	1,418,696	1,951,327	1,008,954	189,180	4,568,157
Special Assessments Receivable	0	0	5,024,686	0	5,024,686
<i>Total Assets</i>	<u>\$3,710,224</u>	<u>\$2,032,207</u>	<u>\$8,652,379</u>	<u>\$1,595,197</u>	<u>\$15,990,007</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$33,358	\$1,760	\$0	\$98,770	\$133,888
Accrued Wages	52,616	103,972	0	2,379	158,967
Interfund Payable	0	726,347	0	1,344,527	2,070,874
Intergovernmental Payable	99,800	39,893	0	160,202	299,895
Deferred Revenue	2,056,678	2,029,807	6,089,580	332,174	10,508,239
<i>Total Liabilities</i>	<u>2,242,452</u>	<u>2,901,779</u>	<u>6,089,580</u>	<u>1,938,052</u>	<u>13,171,863</u>
Fund Balances					
Reserved for Encumbrances	190	0	0	0	190
Unreserved					
Undesignated, Reported in:					
General Fund	1,467,582	0	0	0	1,467,582
Special Revenue Funds (Deficit)	0	(869,572)	0	802,672	(66,900)
Debt Service Funds	0	0	2,562,799	0	2,562,799
Capital Projects Funds (Deficit)	0	0	0	(1,145,527)	(1,145,527)
<i>Total Fund Balances (Deficit)</i>	<u>1,467,772</u>	<u>(869,572)</u>	<u>2,562,799</u>	<u>(342,855)</u>	<u>2,818,144</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,710,224</u>	<u>\$2,032,207</u>	<u>\$8,652,379</u>	<u>\$1,595,197</u>	<u>\$15,990,007</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009*

Total Governmental Fund Balances	\$2,818,144
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,185,348
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	1,144,929
Municipal Income Taxes	431,259
Special Assessments	5,024,686
Intergovernmental	484,137
Total	7,085,011
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(192,826)
Bond issuance costs are considered deferred charges and will be amortized over the life of the bonds on the statement of net assets.	135,600
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(12,655,787)
Pension Liability	(45,847)
OWDA Loans Payable	(6,300,248)
Notes Payable	(2,000,000)
Intergovernmental Payable	(105,169)
Compensated Absences	(1,189,830)
Total	(22,296,881)
 <i>Net Assets of Governmental Activities</i>	 \$11,734,396

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,221,043	\$1,598,870	\$837,046	\$161,955	\$3,818,914
Municipal Income Taxes	4,310,968	0	0	0	4,310,968
Admissions Tax	92,318	0	0	0	92,318
Charges for Services	37,052	0	0	447,415	484,467
Licenses and Permits	586,380	0	0	7,867	594,247
Intergovernmental	551,143	165,518	112,962	475,895	1,305,518
Special Assessments	0	0	590,434	0	590,434
Interest	10,029	0	0	0	10,029
Donations	2,250	0	0	1,745	3,995
Rentals	30,927	0	0	9,545	40,472
Miscellaneous	133,108	160	0	90,091	223,359
<i>Total Revenues</i>	<u>6,975,218</u>	<u>1,764,548</u>	<u>1,540,442</u>	<u>1,194,513</u>	<u>11,474,721</u>
Expenditures					
Current:					
General Government	1,573,108	0	0	307,067	1,880,175
Security of Persons and Property	2,959,172	1,959,456	0	866,074	5,784,702
Transportation	1,289,081	0	0	1,576,559	2,865,640
Leisure Time Activities	233,208	0	0	99,696	332,904
Community Development	472,787	0	0	1,412	474,199
Debt Service:					
Principal Retirement	0	0	1,300,059	984	1,301,043
Interest and Fiscal Charges	0	0	697,679	1,979	699,658
Bond Issuance Costs	0	0	135,600	0	135,600
<i>Total Expenditures</i>	<u>6,527,356</u>	<u>1,959,456</u>	<u>2,133,338</u>	<u>2,853,771</u>	<u>13,473,921</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>447,862</u>	<u>(194,908)</u>	<u>(592,896)</u>	<u>(1,659,258)</u>	<u>(1,999,200)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	5,259,999	0	5,259,999
Premium on General Obligation Bonds	0	0	246,632	0	246,632
Payment to Refunded Bond Escrow Account	0	0	(2,292,030)	0	(2,292,030)
General Obligation Notes Issued	0	0	0	2,000,000	2,000,000
Sale of Capital Assets	0	0	0	6,305	6,305
Transfers In	0	250,000	0	504,725	754,725
Transfers Out	(754,725)	0	0	0	(754,725)
<i>Total Other Financing Sources (Uses)</i>	<u>(754,725)</u>	<u>250,000</u>	<u>3,214,601</u>	<u>2,511,030</u>	<u>5,220,906</u>
<i>Net Change in Fund Balances</i>	<u>(306,863)</u>	<u>55,092</u>	<u>2,621,705</u>	<u>851,772</u>	<u>3,221,706</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>1,774,635</u>	<u>(924,664)</u>	<u>(58,906)</u>	<u>(1,194,627)</u>	<u>(403,562)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,467,772</u>	<u>(\$869,572)</u>	<u>\$2,562,799</u>	<u>(\$342,855)</u>	<u>\$2,818,144</u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Net Change in Fund Balances - Total Governmental Funds \$3,221,706

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	1,716,392	
Current Year Depreciation	(1,334,872)	
Total	381,520	381,520

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (19,551)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	863,201	
Intergovernmental	210,763	
Special Assessments	(384,594)	
Municipal Income Taxes	(118,783)	
Total	570,587	570,587

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities:

General Obligation Bonds Issued	(5,259,999)	
Premium on General Obligation Bonds Issued	(246,632)	
Notes Issued	(2,000,000)	
Total	(7,506,631)	(7,506,631)

Repayment of bond, note and loan principal are expenditures in the governmental funds, but the repayments reduce the long-term liabilities in the statement of net assets:

General Obligation Bond Principal	1,301,043	
Payment to Refunded Bond Escrow Agent	2,292,030	
Total	3,593,073	3,593,073

In the statement of activities, interest is accrued on outstanding bonds, bond premium is amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued:

Accrued Interest	(74,386)	
Amortization of Bond Premium	4,085	
Total	(70,301)	(70,301)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when the bonds are issued. 135,600

Some expenses, such as compensated absences, 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. (19,269)

Change in Net Assets of Governmental Activities \$286,734

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$1,275,000	\$1,275,000	\$1,221,043	(53,957)
Municipal Income Taxes	4,600,000	4,600,000	4,239,162	(360,838)
Admissions Tax	75,000	75,000	92,318	17,318
Charges for Services	65,200	65,200	53,706	(11,494)
Licenses and Permits	437,000	437,000	559,452	122,452
Intergovernmental	748,100	748,100	830,706	82,606
Interest	9,411	9,411	10,029	618
Donations	1,990	1,990	2,250	260
Rentals	30,927	30,927	30,927	0
Miscellaneous	41,480	41,480	132,758	91,278
<i>Total Revenues</i>	<u>7,284,108</u>	<u>7,284,108</u>	<u>7,172,351</u>	<u>(111,757)</u>
Expenditures				
Current:				
General Government	1,536,414	1,605,334	1,590,143	15,191
Security of Persons and Property	2,812,147	2,989,823	2,995,060	(5,237)
Transportation	1,421,210	1,370,710	1,372,574	(1,864)
Leisure Time Activities	239,186	221,386	228,323	(6,937)
Community Development	443,514	445,714	472,787	(27,073)
<i>Total Expenditures</i>	<u>6,452,471</u>	<u>6,632,967</u>	<u>6,658,887</u>	<u>(25,920)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>831,637</u>	<u>651,141</u>	<u>513,464</u>	<u>(137,677)</u>
Other Financing Sources (Uses)				
Advances In	75,000	75,000	0	(75,000)
Transfers Out	(919,650)	(862,025)	(754,725)	107,300
<i>Total Other Financing Sources (Uses)</i>	<u>(844,650)</u>	<u>(787,025)</u>	<u>(754,725)</u>	<u>32,300</u>
<i>Net Change in Fund Balance</i>	(13,013)	(135,884)	(241,261)	(105,377)
<i>Fund Balance Beginning of Year</i>	<u>966,002</u>	<u>966,002</u>	<u>966,002</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$952,989</u></u>	<u><u>\$830,118</u></u>	<u><u>\$724,741</u></u>	<u><u>(\$105,377)</u></u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Service Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Property Taxes	\$1,660,000	\$1,660,000	\$1,598,870	(\$61,130)
Intergovernmental	130,000	130,000	165,518	35,518
Miscellaneous	7,500	7,500	160	(7,340)
<i>Total Revenues</i>	<u>1,797,500</u>	<u>1,797,500</u>	<u>1,764,548</u>	<u>(32,952)</u>
Expenditures				
Current:				
Security of Persons and Property	1,991,290	2,058,749	2,000,667	58,082
<i>Excess of Revenues Under Expenditures</i>	<u>(193,790)</u>	<u>(261,249)</u>	<u>(236,119)</u>	<u>25,130</u>
Other Financing Sources (Uses)				
Advances In	95,000	95,000	0	(95,000)
Transfers In	515,000	515,000	250,000	(265,000)
Transfers Out	(427,000)	(100,540)	0	100,540
<i>Total Other Financing Sources (Uses)</i>	<u>183,000</u>	<u>509,460</u>	<u>250,000</u>	<u>(259,460)</u>
<i>Net Change in Fund Balance</i>	(10,790)	248,211	13,881	(234,330)
<i>Fund Deficit Beginning of Year</i>	<u>(450,228)</u>	<u>(450,228)</u>	<u>(450,228)</u>	<u>0</u>
<i>Fund Deficit End of Year</i>	<u><u>(\$461,018)</u></u>	<u><u>(\$202,017)</u></u>	<u><u>(\$436,347)</u></u>	<u><u>(\$234,330)</u></u>

See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Statement of Fiduciary Net Assets and Liabilities
Agency Funds
December 31, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$221,337</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$221,337</u></u>
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See accompanying notes to the basic financial statements

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 1 – Description of the City and 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.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, 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, 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 a shared risk pool, an insurance purchasing pool, two jointly governed organizations, and a related organization. These organizations are presented in notes 15, 17, 18, and 19 to the financial statements. These organizations are:

Shared Risk Pool: Northern Ohio Risk Management Association

Insurance Purchasing Pool: Ohio Association of Public Treasurers

Jointly Governed Organizations:

Eastern Suburban Regional Council of Governments

Northeast Ohio Public Energy Council

Related Organization: Greenwood Farms Historical, Cultural and Arts Association

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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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 three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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:

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

Fire Service Fund The fire service special revenue fund accounts for the accumulation of resources for, and the payment of expenditures relating to fire services.

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

Bond Retirement Fund The bond retirement debt service fund accounts for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. 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 only has agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for donations from citizens held for and used by senior citizens for home visitations, street opening fees, and deposits pledged by contractors.

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. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty 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 7) Revenue from grants,

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

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 (including gasoline tax and motor vehicle license fees), grants, fees and rentals.

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, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. 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 had no investments during the year or at year end.

The City utilizes a fiscal agent to hold retainage on construction contracts. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents."

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue is distributed to the general fund. Interest revenue credited to the general fund during 2009 amounted to \$10,029, all of which was assigned from other funds.

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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	N/A
Land Improvements	45 years
Buildings and Improvements	45 years
Machinery and Equipment	7 - 20 years
Vehicles	6 - 12 years
Infrastructure	65 years

The City's infrastructure consists of roads, storm sewers, sanitary sewers, and water lines and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net assets.

Compensated Absences

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

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, compensated absences, and contractually required pension contributions 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 governmental fund financial statements when due.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include law enforcement, court computerization, recycling, tree planting and natureworks.

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, issuance costs are reported as an expenditure in the fiscal year in which the bonds are issued. Bond issuance costs are generally paid from bond proceeds.

As permitted by State Statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Deferred Gain on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the various purpose refunding bonds and the net carrying amount of the old debt, the deferred amount on refunding, is being amortized as a component of interest expense. The accounting gain is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as part of the general obligation bonds payable on the statement of net assets.

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.

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.

Budgetary Process

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

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

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

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance and Net Assets

Change in Accounting Principles

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City’s financial statements.

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GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

Restatement of Prior Year Fund Balance and Net Assets

During 2009, it was determined that cash was overstated. This restatement had the following effect on fund balance.

	General	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at					
December 31, 2008	\$1,728,847	(\$913,152)	(\$58,906)	(\$1,138,645)	(\$381,856)
Cash	45,788	(11,512)	0	(55,982)	(21,706)
Adjusted Fund Balance at December 31, 2008	<u>\$1,774,635</u>	<u>(\$924,664)</u>	<u>(\$58,906)</u>	<u>(\$1,194,627)</u>	<u>(\$403,562)</u>

This restatement decreased governmental net assets at December 31, 2008 by \$21,706, from \$11,469,368 to \$11,447,662.

Note 4 – Accountability and Compliance

Accountability

Fund balances at December 31, 2009, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds:</i>	
Fire Service	\$869,572
Police Pension	59,575
Fire Pension	73,104
Senior/Disable Transportation	1,009
<i>Capital Projects Funds:</i>	
Capital Improvement	856,726
Building Improvement	80,488
Sewer Improvement	290,500

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The deficits are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for the deficits in these funds and provides transfers when cash is required, not when accruals occur.

Compliance

The City had a negative cash balance in several funds, indicating that revenue from other sources were used to pay the obligations of these funds, contrary to Ohio Revised Code Section 5705.10. In order to eliminate future negative cash, the City will make cash advances during the year. The funds that had negative cash balances are as follows:

	Deficit
Fire Service	\$436,347
Senior/Disabled Transportation	1,009
Capital Improvements	829,458
Street Improvements	116,765
Building Improvements	80,488

Contrary to Ohio Revised Code Section 5705.39 the following funds had appropriations in excess of estimated resources plus carryover balances:

Fund	Estimated Resources plus Carryover Balances	Appropriations	Excess
Fire Service	\$1,957,272	\$2,159,289	\$202,017
Police Pension	262,511	292,031	29,520
Capital Improvement	(705,575)	81,500	787,075
Building Improvement	(502,960)	319,500	822,460
Sewer Improvement	74,117	241,640	167,523

The general fund had expenditures plus encumbrances of \$6,658,887 in excess of appropriations of \$6,632,967 contrary to section 5705.41, Ohio Revised Code.

Although these violations were not corrected by year end, management has indicated that cash and appropriations will be closely monitored to ensure no future violations occur.

Note 5 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general and fire service funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the Budget basis are as follows:

	Net Change in Fund Balance	
	General	Fire Service
GAAP Basis	(\$306,863)	\$55,092
Net Adjustment for Revenue Accruals	197,133	0
Net Adjustment for Expenditure Accruals	(131,721)	(41,211)
Encumbrances	190	0
Budget Basis	(\$241,261)	\$13,881

Note 6 – Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Richmond Heights, Ohio
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3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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, \$2,712,139 of the City's bank balance of \$2,964,312 was uninsured and uncollateralized. 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.

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

Note 7 – Receivables

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, accounts (billings for user charged services and court fines), special assessments, interfund, and intergovernmental receivables arising from grants, entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

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. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 by September 20.

The full tax rate for all City operations for the year ended December 31, 2009, was \$8.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate:	
Residential/Agricultural	\$220,151,550
Other Real Estate	91,556,900
Tangible Personal Property	
Public Utility	2,433,780
General	3,589,623
Total Assessed Values	<u>\$317,731,853</u>

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period are not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Income Tax

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 2009, the proceeds were allocated one hundred percent to the general fund.

Intergovernmental Receivables

A summary of the intergovernmental receivables follows:

Governmental Activities	
Local Government	\$367,564
Homestead and Rollback	229,474
Other	54,901
Estate Tax	<u>42,265</u>
Total	<u><u>\$694,204</u></u>

Note 8 – 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.

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For the Year Ended December 31, 2009

Note 9 – Capital Assets

A summary of changes in capital assets during 2009 follows:

Governmental Activities	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,635,588	\$0	\$0	\$1,635,588
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,786,198	0	0	1,786,198
Buildings and Improvements	10,414,646	343,745	0	10,758,391
Machinery and Equipment	1,807,234	0	0	1,807,234
Vehicles	2,042,917	21,727	(120,040)	1,944,604
Infrastructure:				
Roads	10,542,293	1,109,514	0	11,651,807
Storm Sewers	3,854,121	0	0	3,854,121
Sanitary Sewers	7,586,635	241,406	0	7,828,041
Water Lines	2,381,534	0	0	2,381,534
<i>Total Capital Assets being Depreciated</i>	<u>40,415,578</u>	<u>1,716,392</u>	<u>(120,040)</u>	<u>42,011,930</u>
Less Accumulated Depreciation:				
Land Improvements	(953,979)	(134,329)	0	(1,088,308)
Buildings and Improvements	(2,134,647)	(253,484)	0	(2,388,131)
Machinery and Equipment	(1,277,799)	(131,643)	0	(1,409,442)
Vehicles	(1,358,347)	(145,938)	100,489	(1,403,796)
Infrastructure:				
Roads	(6,249,717)	(412,953)	0	(6,662,670)
Storm Sewers	(1,885,108)	(48,159)	0	(1,933,267)
Sanitary Sewers	(2,486,775)	(160,735)	0	(2,647,510)
Water Lines	(1,881,415)	(47,631)	0	(1,929,046)
<i>Total Accumulated Depreciation</i>	<u>(18,227,787)</u>	<u>(1,334,872) *</u>	<u>100,489</u>	<u>(19,462,170)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>22,187,791</u>	<u>381,520</u>	<u>(19,551)</u>	<u>22,549,760</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$23,823,379</u>	<u>\$381,520</u>	<u>(\$19,551)</u>	<u>\$24,185,348</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$148,187
Security of Persons and Property	281,110
Transportation	609,989
Basic Utility Services	208,366
Leisure Time Activities	87,220
Total Depreciation Expense	<u>\$1,334,872</u>

Note 10 – Interfund Transfers and Balances

Interfund Transfers

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. Transfers from the general fund to the fire service

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

fund of \$250,000 and to the other governmental funds of \$504,725 were made to provide additional resources for current operations.

Interfund Balances

Interfund Payables	Interfund Receivables			Totals
	General Fund	Bond Retirement	Other Governmental Funds	
Fire Service Fund	\$186,307	\$0	\$540,040	\$726,347
Other Governmental Funds	516,116	828,411	0	1,344,527
<i>Total All Funds</i>	\$702,423	\$828,411	\$540,040	\$2,070,874

The advances to the general, fire service special revenue fund, and other governmental funds were set up to provide cash for the respective funds to support its operations on an interim basis.

Note 11 – Other Employee Benefits

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 960 hours for all City employees.

Note 12 – Defined Benefit Pension Plans

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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14 percent and public safety and law enforcement employers contributed at 17.63 percent. For the period January 1 through March 31, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$170,521, \$299,633, and \$272,982, respectively; 99.06 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$204,833 and \$279,732 for the year ended December 31, 2009, \$286,564 and \$313,460 for the year ended December 31, 2008, and \$291,504 and \$319,378 for the year ended December 31, 2007. 76.68 percent for police and 77.76 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

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, 2009, the unfunded liability of the City was \$45,847, payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 13 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

City of Richmond Heights, Ohio
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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 administrated 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 OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$123,481, \$149,817, and \$108,401, respectively; 99.06 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Police and Firemen's Disability and Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

City of Richmond Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$108,441 and \$109,460 for the year ended December 31, 2009, \$99,511 and \$89,029 for the year ended December 31, 2008, and \$100,860 and \$89,745 for the year ended December 31, 2007. 76.68 percent has been contributed for police and 77.76 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

Note 14 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, the City joined together with neighboring cities to form the Northern Ohio Risk Management Agency (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund (See Note 15). The City pays an annual premium to NORMA for its insurance coverage. The agreement of 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 paid from the general fund.

City of Richmond Heights, Ohio
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There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

Workers' Compensation

The City participates in the Ohio Association of Public Treasurers (OAPT) rating pool (See Note 17). The intent of the OAPT is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management by virtue of its grouping and representation with other participants. The workers' compensation experience rating of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OAPT. Each participant pays its workers' compensation premium to the State based on the rate for the OAPT group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OAPT. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OAPT. Participation in the OAPT is limited to cities that can meet the OAPT's selection criteria. The firm of Integrated Consulting Services provides administrative, cost control and actuarial services to the OAPT.

Employee Insurance Benefits

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 \$1,178 for family coverage, \$830 for an employee plus one additional person and \$403 for single coverage.

Note 15 - Shared Risk Pool

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

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993 and the City of University Heights, whose commencement date is October 1, 2008. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

City of Richmond Heights, Ohio
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In 2009, the City of Richmond Heights paid \$93,435 in premiums from the general fund, which represents 5.38 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

Note 16 – Long-Term Obligations

The original issue date, interest rate, original issuance amount and maturity date for each of the City’s long-term obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation				
Street Improvements - 1999	1999	4.32%	\$995,000	December 1, 2009
Street Improvements - 2000	2000	5.30	875,000	December 1, 2010
Street Improvements - 2001	2001	3.35 - 4.35	600,000	December 1, 2010
Law Enforcement Building - 2001	2001	3.35 - 5.70	3,550,000	December 1, 2020
Various Purpose - 2005	2005	3.47	3,990,000	December 1, 2015
Various Purpose - 2007	2007	3.75 - 4.0	4,125,000	December 1, 2021
Fire Station Bay Addition - 2008	2008	4.00-5.50	400,000	December 1, 2021
Various Purpose - 2009	2009	3.0-5.0	5,259,999	December 1, 2020
OWDA Loans				
Monticello Avenue Sewer	1995	4.56	200,000	January 1, 2015
Chardon Road Sewer	1999	4.56	1,554,105	January 1, 2019
Brushview Road Sewer	2000	4.12	439,366	January 1, 2020
Highland Road - Meadowlane	2001	3.79	648,031	January 1, 2021
Richmond Road	2003	3.90	923,490	January 1, 2023
Sunset/Skyline Sewer Construction	2004	3.20-3.59	1,036,790	January 1, 2024
Dunbarton/Cary Jay - Construction	2005	3.41	564,812	January 1, 2025
Richmond Road et al Sewers	2006	3.35	1,265,403	January 1, 2026
Richmond Road and Side Streets	2008	3.25	1,769,784	January 1, 2028
Intergovernmental Payable				
City of Highland Heights	2002	0.00	190,923	January 1, 2020
Long-Term Notes				
Street Improvement Note	2009	3.85	1,475,000	January 14, 2010
Building Improvement Note	2009	3.85	525,000	January 14, 2010

City of Richmond Heights, Ohio
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A schedule of changes in bonds and other long-term obligations of the City during 2009 follows:

	Principal Outstanding 12/31/2008	Additions	Deletions	Principal Outstanding 12/31/2009	Amounts Due in One Year
Governmental Activities					
<i>General Obligations Bonds:</i>					
Street Improvements - 1999	\$115,000	\$0	(\$115,000)	\$0	\$0
Street Improvements - 2000	215,000	0	(105,000)	110,000	110,000
Street Improvements - 2001	140,000	0	(70,000)	70,000	70,000
Law Enforcement Building - 2001	2,455,000	0	(2,455,000)	0	0
Various Purpose - 2005	2,940,000	0	(375,000)	2,565,000	385,000
Various Purpose - 2007	4,095,000	0	(60,000)	4,035,000	270,000
Unamortized Premium	24,121		(1,855)	22,266	0
Fire Station Bay Addition	400,000	0	(70,000)	330,000	75,000
Unamortized Premium	11,150	0	(2,230)	8,920	0
Various Purpose - 2009					
Refunding	0	2,139,999	0	2,139,999	0
General Obligation	0	3,120,000	0	3,120,000	290,000
Unamortized Premium	0	246,632	0	246,632	0
Accounting Gain	0	7,970	0	7,970	0
<i>Total General Obligation Bonds</i>	<u>10,395,271</u>	<u>5,514,601</u>	<u>(3,254,085)</u>	<u>12,655,787</u>	<u>1,200,000</u>
<i>OWDA Loans:</i>					
Monticello Avenue Sewer	85,514	0	(11,581)	73,933	12,115
Chardon Road Sewer	986,741	0	(75,127)	911,614	78,592
Burshview Road Sewer	294,954	0	(20,519)	274,435	21,372
Highland Road - Meadowlane	459,667	0	(29,365)	430,302	30,488
Richmond Road	735,895	0	(38,600)	697,295	40,120
Sunset/Skyline Sewer Construction	876,960	0	(43,166)	833,794	44,730
Dunbarton/Cary Jay Construction	499,914	0	(23,015)	476,899	23,806
Richmond Road et al Sewers	1,034,687	0	(34,260)	1,000,427	46,289
Richmond Road and Side Streets	1,666,429	0	(64,880)	1,601,549	67,006
<i>Total OWDA Loans</i>	<u>6,640,761</u>	<u>0</u>	<u>(340,513)</u>	<u>6,300,248</u>	<u>364,518</u>
City of Highland Heights Intergovernmental Payable	114,715	0	(9,546)	105,169	9,546
Long Term Notes	0	2,000,000	0	2,000,000	0
Police Pension Liability	46,831	0	(984)	45,847	1,027
Compensated Absences	1,170,561	101,702	(82,433)	1,189,830	87,384
<i>Total Governmental Activities</i>	<u>\$18,368,139</u>	<u>\$7,616,303</u>	<u>(\$3,687,561)</u>	<u>\$22,296,881</u>	<u>\$1,662,475</u>

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 OWDA loans 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

City of Richmond Heights, Ohio
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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.

Lines of credit have been established with the Ohio Water Development Authority in the amount of \$1,793,207 for the Richmond Road and Side Street project. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

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, 2009, is \$105,169 and has been recorded as a long-term liability in the government-wide financial statements and will be repaid from special assessments levied on the affected properties.

During 2009, the City issued \$3,120,000 in various purpose general obligation bonds and \$2,139,999 in general obligation refunding bonds at interest rates varying from 3.0 percent to 5.0 percent. Proceeds were used to refund \$2,300,000 of the outstanding 2001 law enforcement bonds. As a result, \$2,300,000 of these bonds were considered defeased and the liability for the refunded bonds had been removed from the basic financial statements. The amount still outstanding at December 31, 2009 is \$2,300,000.

	2001 Law Enforcement
Outstanding at December 31, 2008	\$2,455,000
Amount Refunded	(2,300,000)
Principal Payment on Non-Refunded Portion	(155,000)
Outstanding at December 31, 2009	\$0

The City decreased its total debt service payments by \$236,060 as a result of the advanced refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$212,767.

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.

The City's overall legal debt margin was \$20,431,674 at December 31, 2009. The unvoted legal debt margin was \$5,522,833.

Principal and interest requirements to retire the general obligation bonds, OWDA loans, OPWC loan, and the police pension liability as of December 31, 2009, are as follows:

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	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2010	\$1,200,000	\$368,166	\$297,512	\$176,563
2011	1,335,000	354,969	309,336	164,739
2012	1,375,000	324,157	321,634	152,441
2013	1,395,000	292,156	334,429	139,650
2014	1,355,000	259,332	347,739	126,336
2015-2019	5,080,000	702,594	1,823,056	418,621
2020-2024	629,999	291,201	1,130,147	120,342
2025-2029	0	0	134,846	4,216
Total	\$12,369,999	\$2,592,575	\$4,698,699	\$1,302,908

	Intergovernmental		
	Payable	Police Pension	
	Principal	Principal	Interest
2010	\$9,546	\$1,027	\$1,936
2011	9,546	1,071	1,892
2012	9,546	1,117	1,846
2013	9,546	1,165	1,798
2014	9,546	1,209	1,748
2015-2019	47,893	2,551	7,916
2020-2024	9,546	5,233	6,318
2025-2029	0	10,600	4,357
2030-2034	0	14,291	1,263
2035	0	7,583	532
Total	\$105,169	\$45,847	\$29,606

Note 17 – Insurance Purchasing Pool

The Ohio Association of Public Treasurers rating pool has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the City and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Integrated Consulting to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on claims experience of each member as compared to the total claims experience of the group.

Note 18 – Jointly Governed Organizations

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

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members include the Cities of Highland Heights, Lyndhurst, Mayfield Heights and the Villages of Gates Mills and Mayfield. The governing body of ESRCOG is a council comprised of one representative from each of the six participating municipalities. The Council adopts a budget for ESCOG annually. Each member's degree of control is limited to its representation on the Council.

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

In 2009, 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.

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 of 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 participation government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2009. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, OH 44139.

Note 19 – Related Organization

The City 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 Association is governed by a Board of Directors. 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. Financial information can be obtained from the Association, David H. Roche, President, 26789 Highland Road, Richmond Heights, Ohio, 44143.

Note 20 – Subsequent Event

On January 14, 2010, the \$2,000,000 note was retired with a portion of the proceeds of the 2009 various purpose bonds.

On July 13, 2010, the Richmond Heights City Council accepted the 2011 Alternative Tax Budget that included the implementation of the remaining 1.1 charter mills approved by the voters at the inception of the 1959 Charter. These 1.1 mills will generate approximately \$330,000 for the benefit of the police

City of Richmond Heights, Ohio
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For the Year Ended December 31, 2009

pension fund (.5 mills amounting to \$150,000) and the fire pension fund (.6 mills amounting to \$180,000). This will reduce the amount of transfer from the general fund by the same amount collected, increasing the resources of the general fund.

On August 4, 2011, the City issued \$1,000,000 in bond anticipation notes for street resurfacing. The notes were issued for 3.85 percent and mature on August 14, 2012.

On June 21, 2012, the City issued \$1,190,000 in bond anticipation notes at 1.19 percent maturing on June 21, 2013 for street resurfacing.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited the 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, 2010 and 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2012, wherein we noted the City restated the December 31, 2008 fund balances for the General, Fire Service and Other Governmental Funds and the net assets of Governmental Activities due to a restatement of cash. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-005 through 2010-007 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-008 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Government's management in a separate letter dated September 25, 2012.

The Government's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Government's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the City Council and others within the City. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 25, 2012

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2010-001

Material Noncompliance and Material Weakness

Annual Reporting

Ohio Revised Code §117.38 states GAAP-basis entities must file annual reports within 150 days of their fiscal year end. Pursuant to Ohio Revised Code § 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required annual financial reports. This section also states that at the time the report is filed with the Auditor of State, the City must publish notice in a newspaper that the report has been completed and is available for public inspection at the office of the Finance Director.

The City never filed annual reports by the required deadline noted above. The City hired an outside agency to complete their annual reports and they were not completed until June 2012.

Failing to file annual reports on a timely basis that are complete and accurate could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, un-posted or un-reconciled records, or other significant issues affecting the control environment, or which may even pose fraud risks.

The City also failed to publish notice in a newspaper that the reports had been completed and were available for public inspection at the office of the Finance Director as required.

We recommend the City prepare their financial reports and file them with the Auditor of State within 150 days after fiscal year end as required by the Ohio Revised Code. We further recommend the City publish the required notice in a newspaper that the reports are completed and available for public inspection at the office of the Finance Director.

Officials Response: The final appropriation Ordinance for the current fiscal year will be approved by Council prior to the end of the fiscal year. Cash basis statements will be prepared by the City and an independent accounting firm engaged to assist in the conversion of the cash statements to GAAP. Annual reports will be filed within 150 days of year end and the appropriate notice will be published in the newspaper and posted on the website.

The City has not filed GAAP basis statements for the fiscal year ended December 31, 2011. The City has engaged an independent accounting firm to assist with the preparation of GAAP statements. The 2011 GAAP statements will be completed and filed by December 31, 2012.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2010-002

Material Noncompliance

ORC 5705.36 & 39 Estimated Resources and Appropriations Greater than Available Resources

Ohio Revised Code § 5705.36(A)(4) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources (i.e. unencumbered cash as of the beginning of the year, plus the current fiscal year's cash receipts) below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. Additionally, **Ohio Revised Code § 5705.39**, states in part the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from as certified by the budget commission or in case of appeal, by the board of tax appeals.

For the 2009 year, the actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

Fund	Estimated Resources	Available Resources	Variance	Appropriations
Fire Service	\$1,957,272	\$1,564,320	(\$392,952)	\$2,159,289
Capital Improvement	(705,575)	(751,823)	(46,248)	81,500
Building Improvement	(502,960)	22,040	525,000	319,500
Sewer Improvement	74,117	241,410	167,293	241,640

For the 2010 year, the actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following fund:

Fund	Estimated Resources	Available Resources	Variance	Appropriations
Capital Improvement	(\$553,768)	(\$605,930)	(\$52,162)	\$208,420

The Finance Director should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations.

We recommend the Finance Director compare actual revenues with estimated revenues during the year and make changes when necessary.

Officials Response: As noted, the City did not notify the Commission of the deficiency and did not certify the amount of the deficiency to the Commission and request an amended certificate reflecting the deficiency. Further, the amount of appropriations was not adjusted to the amounts estimated in an amended certificate. The Finance Director will monitor actual and estimated revenues and disbursements and prepare budget versus actual statements throughout the calendar year. As needed, the City shall certify changes in estimated receipts and disbursements to the Commission and request an amended certificate.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-003

Material Noncompliance

Negative Cash Fund Balances

Ohio Revised Code Section 5705.10 states money that is paid into a fund must be used only for the purposes for which such a fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Our testing showed that the following funds had negative fund balances at year end for 2009:

<u>Fund</u>	<u>Funds Available</u>
Fire Service Fund	(\$436,347)
Senior/Disabled Fund	(1,009)
Capital Improvement Fund	(829,458)
Streets Improvement Fund	(116,765)
Building Improvements Fund	(80,488)

Our testing showed that the following funds had negative fund balances at year end for 2010:

<u>Fund</u>	<u>Funds Available</u>
Capital Improvements Fund	(\$769,036)
Building Improvements Fund	(80,488)

This could result in deficit spending by the City.

We recommend the City monitor fund balances more closely throughout the year to prevent negative fund balances.

Officials Response: This finding is the result of transfers and advances made from related funds or funds supporting the same purpose and transfers and advances authorized by Council at the beginning of the year for previous year end purposes. Per discussion with AOS transfers and advances will be approved by Council by Resolution or Ordinance prior to the advance or transfer. Further, transfers and advances will not be made between related funds.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)**

FINDING NUMBER 2010-004

Material Noncompliance

Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Budgetary expenditures as enacted by the City may not exceed appropriations at the legal level of control for all funds.

During our testing, we noted the following funds/accounts had expenditures plus encumbrances exceeding appropriations as of December 31, 2009.

<u>Fund/Account</u>	<u>Total Appropriations</u>	<u>Total Expenditures plus Encumbrances</u>	<u>Variance</u>
General Fund			
<u>Service Department</u>			
Personnel	\$781,360	\$788,352	(\$6,992)
Bond Retirement Fund	2,026,000	3,025,407	(999,407)

During our testing, we noted the following funds/accounts had expenditures plus encumbrances exceeding appropriations as of December 31, 2010:

<u>Fund/Account</u>	<u>Total Appropriations</u>	<u>Total Expenditures plus Encumbrances</u>	<u>Variance</u>
General Fund			
<u>Building Department</u>			
Personnel	\$266,215	\$267,835	(\$1,620)

Expending monies in excess of appropriations can lead to deficit spending.

We recommend the City expend only those monies which have been properly appropriated.

Officials Response: Expenditures will be limited to the amount of the total appropriation as follows: For the General Fund, expenditures will be limited to the appropriation by the object (e.g. wages and benefits; contractual) class of the expense for each department as modified by Council on an as needed basis. Expenditures for an individual account within an object class may exceed the appropriation for that account with the restriction that the total expenditures do not exceed the total appropriation of the object class. Similarly, for all other funds the amount of the expense may not exceed the amount of the appropriation for the object class. As needed, Council will modify the appropriation to ensure that monies have been properly appropriated.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-005

Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of cash in the accounting records. The reconciliation process accounts for the differences between the balances appearing on the bank statements and the balance of cash according to the City's records.

Cash and investment bank accounts were not reconciled on a timely basis during 2009 and 2010. The City hired an outside consultant to assist the City with reconciling their accounting ledgers to their bank balances for both years. The year-end reconciliations were not finalized until December of 2011.

Reconciliations should be prepared and reviewed on a timely basis. Without accurate bank reconciliations the City has no assurance that the cash balances recorded in the City's ledgers are correct. Consequently, the City may be spending money that it does not have available. Failure to perform monthly bank reconciliations in a timely manner can make it more difficult to identify reconciling items and compromises the controls designed to aid in the detection of errors and/or irregularities which could lead to a loss or theft of City assets. In addition, the management of the City is not provided with timely and accurate financial information that is vital to the continued operations of the City, which could also have a negative material effect or impact on the City's financial statements.

We recommend that timely reconciliations be prepared, reviewed and approved. All reconciling items should be resolved on a timely basis and adequate documentation be maintained to support them.

Officials Response: In 2011 the City engaged the Local Government Services Division of the Auditor of State to assist in bank developing and implementing bank reconciliations and procedures. The City has been working to complete bank reconciliations on a timely basis in 2012.

FINDING NUMBER 2010-006

Material Weakness

SAS 115 – Financial Reporting

The identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

Sound financial reporting is the responsibility of the Director of Finance and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the City.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the City's accounting records for 2009:

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-006 (continued)

Material Weakness

SAS 115 – Financial Reporting

- In 2009, the City misstated the property tax receivable and deferred revenue in the General Fund, Bond Retirement Fund, Fire Service Fund, and Other Governmental Funds in the amounts of \$731,391, \$105,818, \$231,541 and \$19,842, respectively, on the Balance Sheet.
- In 2009, the City misstated the property tax revenue on the Statement of Activities by \$863,202.
- In 2009, the City misclassified \$205,840 of special assessment revenue as miscellaneous revenue.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the City's accounting records for 2010:

- In 2010, the City misstated the property tax receivable and deferred revenue in the General Fund, Bond Retirement Fund, Fire Service Fund, and Other Governmental Funds in the amounts of \$270,704, \$191,710, \$364,218 and \$102,079, respectively, on the Balance Sheet.
- In 2010, the City misstated the property tax revenue on the Statement of Activities by \$1,186,865.
- In 2010, the City misclassified \$500,000 received from the settlement of a lawsuit as miscellaneous revenue. This item should have been classified and reported as an extraordinary item.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the City improve their policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year.

Officials Response: These adjustments were the result of errors made by the finance department. Finance department staff has been receiving training from the R.I.T.A consultants in use of the financial software, internal controls, recordkeeping, and financial reporting. It is expected that the training will result in fewer errors and enhanced internal controls to aid in the identification and corrections of errors as they occur. Further, the City has engaged an independent accounting firm to assist in the preparation of GAAP statements. It is anticipated that during the course of their engagement that the finance department staff will gain additional insight into the design and implementation of internal controls and preparation for an audit.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-007

Material Weakness

Capital Assets Records

A capital asset management system is a system of methods, policies and procedures that address the acquisition, use, control, protection, maintenance and disposal of assets. Accurate accounting for assets is required for the correct and complete presentation of capital assets' financial information. While reviewing and testing the City's capital assets, we noted the following:

Depreciation amounts have not changed for assets dated 2004 and earlier. AOS compared depreciation total sheets from the year under audit to prior years noting no change in assets dated 2004 and earlier.

No detail listing exists for the 2004 & 2010 asset additions.

Physical inventory of assets has not been taken since 2003.

Depreciation amounts were taken for assets whose useful life had already expired and asset additions included items that were below the capitalization threshold established by the City (evident by reviewing inventory listing developed in 2003).

City utilizes several Excel spreadsheets to account for additions and depreciation. These spreadsheets contained incorrect formulas for cross footing and depreciation calculations as evident on the fixed asset schedule.

Useful lives of assets on the City's 2009 additions depreciation spreadsheet don't agree with the useful lives as stated in the annual report.

There were inconsistencies associated with the useful lives used within the same class of capital assets the City's depreciation schedules.

Two parcels of land donated to the City in 2009 were not capitalized. Their combined value was \$3,600 according to County documentation.

There was no evidence that land the City sold in 2010 was deleted as a capital asset. The County's appraised value for the parcel sold was \$29,100. They received \$42,000 for the sale.

Based on the above issues, the City may be over-depreciating assets dated 2004 and earlier. Depreciation amounts are not being calculated correctly since there were formula errors contained in the Excel spreadsheets used to account for additions/depreciation. Assets are being added that shouldn't be based on the City's capitalization threshold. Useful lives used may be inconsistent within the same asset class.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-007 (continued)

Material Weakness

Capital Assets Records

To avoid incorrect reporting of capital asset information on the financial statements, the City should:

- Review its 2004 and earlier capital asset information to make sure depreciation is not being taken on assets whose useful life has already expired.
- The City should review its capitalization threshold since items are added that are below the current threshold amount.
- To properly account for the City's capital assets, the City should perform an official physical inventory of its assets since it has been several years since one has been performed. This would identify the assets still used by the City, the current location and condition of the assets and also make sure items are properly tagged. It may also identify items that are no longer used/functional and should be disposed of and removed from the listing.
- To avoid incorrect calculations for depreciation, the City should review its current listings to make sure all formula errors within their spreadsheets are resolved.
- The City should be consistent in applying useful lives to the same asset class.
- Any land obtained should be capitalized and listed as an addition to in the year the land was obtained.
- Land sold should be reflected as a deletion on the City's books.

Officials Response: The capital asset threshold and useful life of asset classes as determined in the fixed asset policy needs to be reviewed and revised as necessary. Given current staff, the physical inventory and tagging of all is a challenging task to be accomplished over time. Also, with the City's fiscal limits, the cost to hire a company to conduct a physical inventory and tag equipment may be prohibitive but may be explored. The current list of assets will be reviewed and revised as necessary. Inconsistent, incorrect formulas will be corrected, the useful lives of assets in the same asset class will be normalized, and depreciation of assets reviewed and corrected to ensure that assets are not depreciated beyond the useful life of the asset.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2010-008

Significant Deficiency

Agency Fund Deposits – Open Item Reconciliation

The City could not provide a reconciled open item listing of guaranteed deposits on hand as of December 31, 2009 and December 31, 2010 for their Building Bond Fund and Sidewalk Bond Fund. This was due to the fact that no reconciliation is done between the system fund balances for these funds and any guaranteed deposits on hand.

By not performing a reconciliation of system fund balances to guaranteed deposits on hand, the City has an increased fraud risk over their building and sidewalk deposit collections. With no reconciliation, overpayments or unauthorized payments could occur without being detected.

We also noted that any fees which are withheld from the refunding of deposits are not being remitted to the City's General Fund. These fees are remaining in the Building Bond Agency Fund and Sidewalk Bond Agency Fund. At December 31, 2010, the Building Bond Fund and Sidewalk Bond Fund had total combined fund balances of \$367,946. Since the City does not perform a reconciliation, the City cannot identify how much of this total belongs to their General Fund as operating monies, and how much actually belongs in their Building Bond Fund and Sidewalk Bond Fund to cover any outstanding guaranteed deposits.

We recommend the city establish proper reconciliation controls over their Building Bond Agency Fund and Sidewalk Bond Agency Fund. Any discrepancies should be investigated and resolved. Any unclaimed funds within these Agency funds in excess of five years should be remitted to the General Fund. Also, inspection fees issued by the City should be remitted to the City's General Funds so that these monies may be appropriated and used for City operations.

Officials Response: The Finance Director and Building Department need to develop a reconciliation method between the building department software and finance department to track deposits and expenses from these funds. Also, the reconciliation will require information from the City Engineer for costs that should be charged to a project from engineering services. Current internal controls and procedures will be reviewed and when projects are complete the City will remit the appropriate amount of funds to the General Fund of the City.

**CITY OR RICHMOND HEIGHTS
CUYAHOGA COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Finding For Recovery – Repaid Under Audit	Yes	Finding No Longer Valid
2008-002	ORC Section 5705.14 – Transfers and Advances	No	Partially Corrected – Reported in Management Letter
2008-003	ORC Section 117.38 - Annual Reporting	No	Repeated – See Finding 2010-001
2008-004	ORC Section 5705.39 - Appropriations Exceeding Estimated Resources	No	Repeated – See Finding 2010-002
2008-005	ORC Section 5705.41(B) - Expenditures Exceeding Appropriations	No	Repeated – See Finding 2010-004
2008-006	ORC Section 5705.10 - Negative Cash Fund Balances	No	Repeated – See Finding 2010-003
2008-007	ORC Section 5705.36(A)(4) - Appropriations over Actual Resources	No	Repeated – See Finding 2010-002
2008-008	Statement on Auditing Standards 112 – Financial Reporting	No	Repeated – See Finding 2010-006
2008-009	Bank Reconciliations	No	Repeated – See Finding 2010-005
2008-010	Capital Asset Records	No	Repeated – See Finding 2010-007
2008-011	Agency Fund Deposits – Open Item Reconciliation	No	Repeated – See Finding 2010-008



Dave Yost • Auditor of State

CITY OF RICHMOND HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 9, 2012