



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### ***Report on the Financial Statements***

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 year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2020, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Fire Service Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2022, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 1, 2022

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**CITY OF RICHMOND HEIGHTS  
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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, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review 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 2020 are as follows:

- In total, net position in governmental activities increased by \$2,927,167 during 2020. This represents a 17 percent increase from 2019.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,956,305.
- City municipal income tax revenue totaled \$7,059,804.

**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 Position 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 Position 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 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

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These two statements report the City's net position and the changes in that net position. The change in net position 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.

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Net Position 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 19. Fund financial statements 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. The City's 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 financial 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.

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

Recall that the Statement of Net Position pictures the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019.

**Table 1 - Net Position**

	Governmental Activities	
	2020	2019
<b><u>Assets</u></b>		
Current and Other Assets	\$ 22,089,237	\$ 20,075,545
Capital Assets, Net	20,428,690	19,678,922
<b>Total Assets</b>	<b>42,517,927</b>	<b>39,754,467</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,158,819	4,713,986
OPEB	1,332,568	1,160,894
<b>Total Deferred Outflows of Resources</b>	<b>3,491,387</b>	<b>5,874,880</b>
<b><u>Liabilities</u></b>		
Current and Other Liabilities	849,982	1,122,123
Long-term Liabilities:		
Due within one year	928,035	952,736
Due in more than one year:		
Net Pension Liability	12,530,965	16,040,089
Net OPEB Liability	3,064,399	2,966,635
Other Amounts	2,704,930	3,294,101
<b>Total Liabilities</b>	<b>20,078,311</b>	<b>24,375,684</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes	3,070,575	3,256,077
Deferred Charges on Refunding	-	724
Pension	2,022,746	447,652
OPEB	881,377	520,072
<b>Total Deferred Inflows of Resources</b>	<b>5,974,698</b>	<b>4,224,525</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	17,954,173	16,428,122
Restricted	7,101,735	5,530,513
Unrestricted	(5,099,603)	(4,929,497)
<b>Total Net Position</b>	<b>\$ 19,956,305</b>	<b>\$ 17,029,138</b>

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Richmond Heights, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,956,305 at year end.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27." The City previously adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government.

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In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The City's net investment in capital assets accounts for the most significant portion of total net position. At year end, capital asset represented about 50 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's 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.

Current and other assets increased by about 10 percent, mostly due to increases in cash and cash equivalents. Current and other liabilities decreased by 24 percent, due to decreased accounts payable and contracts payable outstanding at year end. Long-term liabilities due within one year decreased by 3 percent and long-term liabilities due in more than one year (excluding the net pension and OPEB liabilities) decreased by 22 percent, due to the pay down of general obligation bonds and OWDA loans. Significant variances in deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability were due to recorded adjustments per GASB Statements 68 and 75.

The implementation of GASB Statement No. 68 and 75 requires the reader to perform additional calculations to determine the City's total net position at December 31, 2020 without the implementation of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (OPERS and OP&F) collect, hold, invest, and distribute pension to our employees, not the City of Richmond Heights. These calculations are presented on the following page.

	<b>Governmental Activities</b>
Total Net Position at December 31, 2020 (with GASB 68 and 75)	\$ 19,956,305
GASB 68/75 Calculations:	
Add:	
Deferred Inflows related to Pension	2,022,746
Deferred Inflows related to OPEB	881,377
Net Pension Liability	12,530,965
Net OPEB Liability	3,064,399
Less:	
Deferred Outflows related to Pension	(2,158,819)
Deferred Outflows related to OPEB	(1,332,568)
Total Net Position (without GASB 68 and 75)	\$ 34,964,405

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Table 2 shows the changes in net position for the year ended December 31, 2020 compared to 2019.

<b>Table 2 - Change in Net Position</b>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,591,040	\$ 1,900,475
Operating Grants and Contributions	1,362,859	572,311
Capital Grants and Contributions	1,606,683	126,677
<b>Total Program Revenues</b>	<u>4,560,582</u>	<u>2,599,463</u>
General Revenues:		
Property Taxes	3,505,379	3,636,213
Municipal Income Taxes	7,059,804	6,834,034
Other Taxes	8,383	49,551
Grants and Entitlements	726,931	738,859
Investment Earnings	51,496	157,637
Gain on Sale of Capital Assets	-	537
All Other Revenues	1,159,916	443,189
<b>Total General Revenues</b>	<u>12,511,909</u>	<u>11,860,020</u>
<b>Total Revenues</b>	<u>17,072,491</u>	<u>14,459,483</u>
<b>Program Expenses</b>		
Security of Persons and Property	8,201,928	1,222,523
Leisure Time Activities	141,477	293,890
Community Environment	871,031	915,226
Transportation	2,357,105	2,789,043
General Government	2,283,832	2,246,409
Interest and Fiscal Charges	289,951	124,820
<b>Total Program Expenses</b>	<u>14,145,324</u>	<u>7,591,911</u>
<i>Change in Net Position</i>	2,927,167	6,867,572
Net Position - Beginning of Year	17,029,138	10,161,566
<b>Net Position - End of Year</b>	<u>\$ 19,956,305</u>	<u>\$ 17,029,138</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 2.25 percent on gross income.

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, up to a credit limit of 1.25 percent. The City's tax credit limit decreased from 2.25 percent to 1.25 percent, starting for tax year 2017. The decrease in the credit limit was implemented to offset previously reduced income tax collections (due to the closing of local businesses) and recent reductions in other revenue sources, such as the State's elimination of the estate tax in 2013, the phase-out of the CAT tax reimbursement (tax on business inventory, machinery and equipment) and cuts in State Local Government Funds. The revenues generated from income tax amounted to \$7,059,804 in 2020. This represents an increase of 3 percent from 2019, due to increases in collections.

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General property taxes are also a significant source of revenues. Although this is a much more stable tax, property taxes constitute only about a quarter 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, and the remainder of funding comes from the General Fund. Property tax revenue decreased by 4 percent in 2020, mostly due to decreased collections. All other revenues increased by 162 percent due to Ohio Bureau of Workers Compensation reimbursement monies to the City.

Program revenues for Charges for Services decreased by 16 percent in 2020, mostly due to a decrease in fire department rescue squad fees and decrease in recreation program activities. Operating Grants and Contributions increased by 138 percent in 2020, mostly due to CARES Act monies used support the City's response to the COVID-19 pandemic. Capital Grants and Contributions increased by 1,168 percent because in 2020 the City completed the Richmond Road resurfacing project and recorded a capital contribution for the amount paid by the federal government.

The provisions of GASB Statements 68 and 75 require the City to recognize a pension/OPEB adjustment that increases expenses by \$908,532 in 2020 and reduces expenses by \$5,350,274 in 2019. As a result, it is difficult to ascertain the true operational cost of services and the changes in cost of service from year to year. The table below shows the total expenses by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

<b>EXPENSES</b>	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>Program Expenses:</b>		
Security of Persons and Property	\$ 7,431,757	\$ 7,071,723
Leisure Time Activities	135,921	269,550
Community Environment	850,556	843,550
Transportation	2,295,829	2,551,974
General Government	2,232,778	2,080,568
Interest and Fiscal Charges	289,951	124,820
<b>Total Expenses</b>	<u>\$ 13,236,792</u>	<u>\$ 12,942,185</u>

Beginning January 1, 2019, OP&F has changed its retiree health care model and the current self-insured health care plan is no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use for reimbursement of health care expenses. As a result of changing models, OP&F management expects that it will be able to provide stipends to participants for the next 15 years. This change was the most significant factor in the increase of the City's security of persons and property expense by \$6,979,405.

Security of persons and property and transportation are two major activities of the City, generating 75 percent of the governmental expenses, or 73 percent before the effects of GASB 68 and 75 adjustments. Currently there are 22 full-time sworn officers in the police department. During 2020, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

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The fire service consists of 19 full-time and several part-time fire fighters. All of these fire fighters are fully trained paramedics. Training plays a crucial role in the day-to-day operation of the fire service. The department handled 2,207 calls for assistance, of which 1,622 were for EMS and the remainder for fire and fire related incidents.

Security of persons and property expenses increased by 571 percent due to the adjustments for GASB 68 and 75 pension/OPEB expense. Without the effects of GASB 68 and 75, security of persons and property expenses increased by 5 percent. Transportation expense decreased by 16 percent due to a decrease in street improvement expenses. Leisure Time Activities decreased by 52 percent due to a reduction in activities as a result of the COVID-19 pandemic.

### **The City's Funds**

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$12,469,588. \$6,338,321 of the ending fund balance for 2020 constitutes assigned and unassigned fund balance combined, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or committed to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

Information about the City's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (plus other financing sources) of \$18,418,403 and total expenditures (plus other financing uses) of \$15,622,723.

The General Fund reflected a fund balance increase of \$923,566 in 2020. Total revenues were consistent between 2019 and 2020, with 3 percent increase in total. Significant changes in revenues in 2020 were a 290 percent increase all other revenue due to Ohio Bureau of Workers' Compensation rebates and refunds, and a 7 percent increase in special assessments due to increased collections. Expenditures were consistent between 2019 and 2020, with only a 3 percent increase in total.

The Fire Service fund balance increased by \$668,090 in 2020 due to a decrease in expenditures by 14 percent in 2020.

The Bond Retirement fund balance increased by \$252,640 in 2020. Significant changes in revenues in 2020 were an increase by 5 percent in intergovernmental due to increase in grant and increase by 5 percent in property taxes due to increase in collection. Total expenditures decreased by 29 percent in 2020, mostly due to decreases in principal retirement as debt principal is paid down.

### **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 discussions at regularly held council meetings, which are open to the public; the budget is adopted by City Council. Council must approve legislation for any revisions in the budget that alter totals.



**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 UNAUDITED**

The finance department closely monitors compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

There was 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 controlling the costs of providing those services.

**Capital Assets and Debt Administration**

*Capital Assets*

**Table 3 - Capital Assets at December 31 (Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 2,880,252	\$ 2,900,846
Construction in Progress	12,079	298,933
Land Improvements	390,096	245,333
Buildings	7,636,875	7,867,444
Machinery and Equipment	296,228	346,654
Vehicles	544,969	647,530
Infrastructure	8,668,191	7,372,182
<b>Total Capital Assets, Net</b>	<b>\$ 20,428,690</b>	<b>\$ 19,678,922</b>

The City's plan is to maintain its assets, including infrastructure, in excellent condition. Purchases of vehicles such as fire trucks are planned for well in advance by the respective department heads. Vehicles are maintained and inspected to ensure peak performance for the maximum time frame. The police vehicle replacement goal is to replace two or three vehicles each year. In 2020, the City ordered three marked police SUVs. The ambulance billing fund is available for purchasing EMS/Fire vehicles. The next major purchase scheduled is for an EMS chase vehicle in 2021.

Construction in progress decreased because the City completed Kiwanis Lodge and Richmond Road projects in 2020.

With regard to infrastructure, the City's engineering department maintains a comprehensive listing of all the roads, sewer lines and water mains 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 Street Improvement Fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. Funds for street repairs are accumulated in the Street Capital Improvement Fund and State Highway Fund, and funds for maintenance of facilities are accumulated in the Building and Capital Improvement Funds. See Note 11 to the basic financial statements for additional information on the City's capital assets.

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 UNAUDITED**

**Debt**

As of December 31, 2020, the City of Richmond Heights had the following debt outstanding:

**Table 4 - Outstanding Debt at December 31**

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 305,000	\$ 629,999
OWDA Loans	1,795,791	2,164,393
OPWC Loan	371,702	390,287
Intergovernmental Payable	163	9,709
Police Pension	31,787	33,350
Capital Leases	-	29,550
<b>Total Outstanding Debt</b>	<b>\$ 2,504,443</b>	<b>\$ 3,257,288</b>

Long-term debt decreased by 23% in 2020. This was due to the City's scheduled payments all existing long-term debt and no new debt being issued in 2020. At December 31, 2020, the City's overall legal debt margin was \$25,689,852. More detailed information about the City's long-term liabilities is presented in Note 17 and Note 18 to the basic financial statements.

**Current Financial Related Activities**

Strong leadership and guidance enabled the city to navigate through the COVID-19 Pandemic of 2020. The City of Richmond Heights maintained the A-2 Moody's credit rating, reflecting the City's improving reserve levels, low debt, and stable management. All three of the City's collective bargaining agreements with unions were successfully negotiated and completed in 2020. The City's main North/ South corridor Richmond Road (SR 175) resurfacing project was completed. Renovation and improvements of the city owned Kiwanis Lodge and Community Park continues. An all-weather enclosure for the Kiwanis Lodge ADA ramp and lower-level stairs was completed. An ADA compliant playground at Community Park was constructed.

Ongoing economic development continues throughout the city. DealPoint Merrill continues to spearhead the redevelopment and conversion of Richmond Town Square Mall into multi-family, class A luxury apartments, and mixed-use retail development. FlexJet will be expanding its wings with the construction of a new corporate headquarters and futuristic global operations center, at the Cuyahoga County Airport. The new headquarters and operations center will operate 24 hours per day seven days per week and accommodate up to 387 workers of which 200 will be new skilled jobs.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
UNAUDITED**

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**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, 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, City of Richmond Heights, 26789 Highland Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or at the City's website [www.richmondheightsohio.org](http://www.richmondheightsohio.org) or email at [finance.director@richmondheightsohio.org](mailto:finance.director@richmondheightsohio.org).

# **Basic Financial Statements**

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 11,318,003
Materials and Supplies Inventory	137,012
Accounts Receivable	389,039
Intergovernmental Receivable	827,448
Prepaid Items	315,026
Municipal Income Taxes Receivable	2,261,315
Property and Other Taxes Receivable	3,520,697
Special Assessments Receivable	3,320,697
Nondepreciable Capital Assets	2,892,331
Depreciable Capital Assets	17,536,359
<b>Total Assets</b>	<b><u>42,517,927</u></b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension	2,158,819
OPEB	1,332,568
<b>Total Deferred Outflows of Resources</b>	<b><u>3,491,387</u></b>
<b><u>LIABILITIES</u></b>	
Accounts Payable	162,462
Contracts Payable	20,420
Accrued Wages and Benefits	144,834
Intergovernmental Payable	133,738
Accrued Interest Payable	28,180
Unearned Revenue	360,348
Long-term Liabilities:	
Due within one year	928,035
Due in more than one year:	
Net Pension Liability (See Note 12)	12,530,965
Net OPEB Liability (See Note 13)	3,064,399
Other amounts due in more than one year	2,704,930
<b>Total Liabilities</b>	<b><u>20,078,311</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Property Taxes	3,070,575
Pension	2,022,746
OPEB	881,377
<b>Total Deferred Inflows of Resources</b>	<b><u>5,974,698</u></b>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	17,954,173
Restricted for:	
Debt Services	3,222,116
Capital Projects	1,316,876
Street Construction, Maintenance and Repairs	1,174,908
Other Purposes	1,387,835
Unrestricted	(5,099,603)
<b>Total Net Position</b>	<b><u>\$ 19,956,305</u></b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$ 8,201,928	\$ 482,353	\$ 771,933	\$ -	\$ (6,947,642)
Leisure Time Activities	141,477	18,065	2,016	-	(121,396)
Community Environment	871,031	806,369	5,398	231,739	172,475
Transportation	2,357,105	18,746	558,801	1,374,944	(404,614)
General Government	2,283,832	265,507	24,711	-	(1,993,614)
Interest and Fiscal Charges	289,951	-	-	-	(289,951)
Total Governmental Activities	<u>\$ 14,145,324</u>	<u>\$ 1,591,040</u>	<u>\$ 1,362,859</u>	<u>\$ 1,606,683</u>	<u>(9,584,742)</u>

**General Revenues:**

Property Taxes levied for:		
General Purposes		989,407
Debt Service Purpose		711,261
Other Purposes		1,804,711
Municipal Income Taxes levied for:		
General Purposes		7,059,804
Other Taxes		8,383
Grants & Entitlements not restricted to specific programs		726,931
Investment Income		51,496
All Other Revenues		1,159,916
Total General Revenues		<u>12,511,909</u>
Change in Net Position		2,927,167
Net Position - Beginning of Year		<u>17,029,138</u>
<b>Net Position - End of Year</b>		<u><u>\$ 19,956,305</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>General Fund</b>	<b>Fire Service</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 6,211,989	\$ 1,140,265	\$ 479,066	\$ 3,486,683	\$ 11,318,003
Materials and Supplies Inventory	8,036	7,383	-	121,593	137,012
Accounts Receivable	10,498	-	-	378,541	389,039
Intergovernmental Receivable	180,587	91,987	49,802	505,072	827,448
Prepaid Items	267,693	35,513	-	11,820	315,026
Municipal Income Taxes Receivable	2,261,315	-	-	-	2,261,315
Property and Other Taxes Receivable	1,073,003	1,552,910	489,426	405,358	3,520,697
Special Assessments Receivable	657,682	-	2,654,910	8,105	3,320,697
<b>Total Assets</b>	<b>\$ 10,670,803</b>	<b>\$ 2,828,058</b>	<b>\$ 3,673,204</b>	<b>\$ 4,917,172</b>	<b>\$ 22,089,237</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 86,055	\$ 18,847	\$ -	\$ 57,560	\$ 162,462
Accrued Wages and Benefits	115,143	28,133	-	1,558	144,834
Contracts Payable	-	-	-	20,420	20,420
Intergovernmental Payable	23,105	2,884	-	107,749	133,738
Unearned Revenue	360,348	-	-	-	360,348
<b>Total Liabilities</b>	<b>584,651</b>	<b>49,864</b>	<b>-</b>	<b>187,287</b>	<b>821,802</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes	936,943	1,356,766	422,908	353,958	3,070,575
Unavailable Revenue-Delinquent Property Taxes	136,060	196,144	66,518	51,400	450,122
Unavailable Revenue-Municipal Income Taxes	1,087,255	-	-	-	1,087,255
Unavailable Revenue-Special Assessments	657,682	-	2,654,910	8,105	3,320,697
Unavailable Revenue-Other	140,954	91,987	49,802	586,455	869,198
<b>Total Deferred Inflows of Resources</b>	<b>2,958,894</b>	<b>1,644,897</b>	<b>3,194,138</b>	<b>999,918</b>	<b>8,797,847</b>
<b>FUND BALANCES</b>					
Nonspendable	275,729	42,896	-	133,413	452,038
Restricted	-	1,090,401	479,066	2,417,720	3,987,187
Committed	513,208	-	-	1,178,834	1,692,042
Assigned	1,663,375	-	-	-	1,663,375
Unassigned	4,674,946	-	-	-	4,674,946
<b>Total Fund Balances</b>	<b>7,127,258</b>	<b>1,133,297</b>	<b>479,066</b>	<b>3,729,967</b>	<b>12,469,588</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,670,803</b>	<b>\$ 2,828,058</b>	<b>\$ 3,673,204</b>	<b>\$ 4,917,172</b>	<b>\$ 22,089,237</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
 NET POSITION OF GOVERNMENTAL ACTIVITIES  
 DECEMBER 31, 2020**

**Total Governmental Funds Balance** \$ 12,469,588

*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. 20,428,690

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

Delinquent Property taxes	450,122	
Municipal Income taxes	1,087,255	
Special assessments	3,320,697	
Intergovernmental	700,224	
Charges for services	168,974	
Total		5,727,272

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (28,180)

The net pension liability and net OPEB liability are not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	2,158,819	
Deferred Inflows - Pension	(2,022,746)	
Net Pension Liability	(12,530,965)	
Deferred Outflows - OPEB	1,332,568	
Deferred Inflows - OPEB	(881,377)	
Net OPEB Liability	(3,064,399)	
Total		(15,008,100)

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(305,000)	
Unamortized Premiums	(1,861)	
OWDA Loans Payable	(1,795,791)	
OPWC Loan Payable	(371,702)	
Intergovernmental Payable	(163)	
Police Pension Liability	(31,787)	
Compensated Absences	(1,126,661)	
Total		(3,632,965)

**Net Position of Governmental Activities** \$ 19,956,305

The notes to the basic financial statements are an integral part of this statement.



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>					
Property Taxes	\$ 964,880	\$ 1,395,481	\$ 729,012	\$ 364,503	\$ 3,453,876
Municipal Income Taxes	7,368,978	-	-	-	7,368,978
Other Taxes	8,383	-	-	-	8,383
Intergovernmental	409,175	183,973	99,603	1,373,762	2,066,513
Interest	51,496	-	-	-	51,496
Fees, Licenses and Permits	376,961	-	-	-	376,961
Fines and Forfeitures	64,445	-	-	-	64,445
Rentals	18,065	-	-	98,979	117,044
Charges for Services	6,787	-	-	366,973	373,760
Contributions and Donations	4,323	-	-	19,188	23,511
Special Assessments	575,696	-	404,063	4,784	984,543
All Other Revenues	922,181	33,666	-	204,069	1,159,916
<b>Total Revenues</b>	<b>10,771,370</b>	<b>1,613,120</b>	<b>1,232,678</b>	<b>2,432,258</b>	<b>16,049,426</b>
<b><u>EXPENDITURES</u></b>					
Security of Persons and Property	3,491,530	1,945,030	-	1,401,951	6,838,511
Leisure Time Activities	113,470	-	-	10,185	123,655
Community Environment	352,180	-	-	124,183	476,363
Transportation	1,541,475	-	-	345,903	1,887,378
General Government	2,024,032	-	17,220	67,176	2,108,428
Capital Outlay	16,209	-	-	761,848	778,057
Debt Service:					
Principal Retirement	29,550	-	721,732	1,563	752,845
Interest and Fiscal Charges	-	-	341,086	1,400	342,486
<b>Total Expenditures</b>	<b>7,568,446</b>	<b>1,945,030</b>	<b>1,080,038</b>	<b>2,714,209</b>	<b>13,307,723</b>
Excess of Revenues Over (Under) Expenditures	3,202,924	(331,910)	152,640	(281,951)	2,741,703
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Sale of Capital Assets	35,642	-	-	18,335	53,977
Transfers In	-	1,000,000	100,000	1,215,000	2,315,000
Transfers Out	(2,315,000)	-	-	-	(2,315,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,279,358)</b>	<b>1,000,000</b>	<b>100,000</b>	<b>1,233,335</b>	<b>53,977</b>
Net Change in Fund Balances	923,566	668,090	252,640	951,384	2,795,680
Fund Balances - Beginning of Year	6,203,692	465,207	226,426	2,778,583	9,673,908
<b>Fund Balances - End of Year</b>	<b>\$ 7,127,258</b>	<b>\$ 1,133,297</b>	<b>\$ 479,066</b>	<b>\$ 3,729,967</b>	<b>\$ 12,469,588</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, 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, 2020**

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**Net Change in Fund Balances-Total Governmental Funds** \$ 2,795,680

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

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

Capital Outlay	364,121	
Contributions	1,374,944	
Depreciation	(925,444)	
Total		813,621

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. (63,853)

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

Delinquent Property taxes	51,503	
Municipal Income taxes	(309,174)	
Special assessments	(303,813)	
Intergovernmental	146,245	
Charges for services	63,360	
Total		(351,879)

Repayment of debt principal and the intergovernmental payable are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 752,845

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension		1,014,274
OPEB		19,143

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension		(1,635,411)
OPEB		(306,538)

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

Compensated absences	(163,250)	
Amortization of bond premiums	24,277	
Amortization of Gain on Refunding	724	
Accrued Interest	27,534	
Total		(110,715)

**Change in Net Position of Governmental Activities** \$ 2,927,167

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET (NON-GAAP BASIS) AND ACTUAL –  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property Taxes	\$ 1,042,575	\$ 910,937	\$ 964,880	\$ 53,943
Municipal Income Taxes	6,711,396	7,300,000	7,347,635	47,635
Other Taxes	11,624	70,000	12,726	(57,274)
Intergovernmental	355,874	388,227	389,611	1,384
Interest	47,037	144,000	51,496	(92,504)
Fees, Licenses and Permits	345,386	579,261	378,128	(201,133)
Fines and Forfeitures	64,522	100,000	70,639	(29,361)
Rentals	16,501	78,000	18,065	(59,935)
Charges for Services	6,199	10,050	6,787	(3,263)
Contributions and Donations	3,949	6,900	4,323	(2,577)
Special Assessments	525,846	547,000	575,696	28,696
All Other Revenues	845,068	168,890	925,184	756,294
<b>Total Revenues</b>	<b>9,975,977</b>	<b>10,303,265</b>	<b>10,745,170</b>	<b>441,905</b>
<b><u>Expenditures</u></b>				
Current:				
Security of Persons & Property	4,016,129	4,016,129	3,553,855	462,274
Transportation	1,772,889	1,772,889	1,586,784	186,105
Leisure Time Activities	166,689	166,689	118,455	48,234
Community Environment	566,406	566,406	367,024	199,382
General Government	2,266,084	2,437,134	2,191,948	245,186
<b>Total Expenditures</b>	<b>8,788,197</b>	<b>8,959,247</b>	<b>7,818,066</b>	<b>1,141,181</b>
Excess of Revenues Over (Under) Expenditures	1,187,780	1,344,018	2,927,104	1,583,086
<b><u>Other Financing Sources (Uses)</u></b>				
Sale of Capital Assets	32,556	16,000	35,642	19,642
Transfers In	100,000	100,000	100,000	-
Transfers Out	(2,135,000)	(2,445,000)	(2,445,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,002,444)</b>	<b>(2,329,000)</b>	<b>(2,309,358)</b>	<b>19,642</b>
Net Change in Fund Balance	(814,664)	(984,982)	617,746	1,602,728
Fund Balance - Beginning of Year	4,744,496	4,744,496	4,744,496	-
Prior Year Encumbrances Appropriated	235,708	235,708	235,708	-
Fund Balance - End of Year	<b>\$ 4,165,540</b>	<b>\$ 3,995,222</b>	<b>\$ 5,597,950</b>	<b>\$ 1,602,728</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET (NON-GAAP BASIS) AND ACTUAL –  
 FIRE SERVICE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Property Taxes	\$ 1,323,007	\$ 1,318,295	\$ 1,395,481	\$ 77,186
Intergovernmental	174,418	183,705	183,973	268
All Other Revenues	31,918	33,017	33,666	649
<b>Total Revenues</b>	<b>1,529,343</b>	<b>1,535,017</b>	<b>1,613,120</b>	<b>78,103</b>
<b><u>Expenditures</u></b>				
Current:				
Security of Persons and Property	2,534,209	2,534,209	2,010,835	523,374
<b>Total Expenditures</b>	<b>2,534,209</b>	<b>2,534,209</b>	<b>2,010,835</b>	<b>523,374</b>
Excess of Revenues Over (Under) Expenditures	(1,004,866)	(999,192)	(397,715)	601,477
<b><u>Other Financing Sources</u></b>				
Transfers In	1,000,000	1,000,000	1,000,000	-
<b>Total Other Financings Sources</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>
Net Change in Fund Balance	(4,866)	808	602,285	601,477
Fund Balance - Beginning of Year	507,578	507,578	507,578	-
Prior Year Encumbrances Appropriated	2,634	2,634	2,634	-
Fund Balance - End of Year	<b>\$ 505,346</b>	<b>\$ 511,020</b>	<b>\$ 1,112,497</b>	<b>\$ 601,477</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

The City of Richmond Heights (City) is a charter municipal corporation established and operates 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, a jointly governed organization, and a related organization. These organizations are presented in Notes 15, 16, 19, and 20 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, Heights Hillcrest Communications Center, Northeast Ohio Public Energy Council, Suburban Water 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.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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 Position 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. The City does not maintain any proprietary funds.

***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 deferred outflows of resources compared to liabilities and deferred inflows of resources are reported as fund balance.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting** (Continued)

***Governmental Funds*** (Continued)

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.

**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 either restricted or committed to a particular purpose.

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City does not have any fiduciary funds.

**Measurement Focus**

***Government-wide Financial Statements*** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus** (Continued)

***Fund Financial Statements*** (Continued)

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 outflows/inflows of resources, 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 sixty days of year-end.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), fines and forfeitures, grants and entitlements, fees and rentals.

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.



**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Accounting** (Continued)

***Deferred Outflows/Inflows of Resources*** (Continued)

For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include deferral on refunding, property taxes, unavailable revenues, pension, and OPEB. A deferral on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The accounting gain is deferred and amortized over the shorter of the life of the refunded or refunding debt. This amount has been recorded as a deferred inflow on the government-wide statement of net position. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental revenues, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Notes 12 and 13.

***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 Investments**

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".

Investment procedures are restricted by the provisions of the Ohio Revised Code. 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.

During 2020, investments were limited to STAR Ohio.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Investments** (Continued)

The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2020, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue credited to the General Fund during 2020 amounted to \$51,496, which includes \$23,996 assigned from other funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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 position 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 back trending (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).

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets** (Continued)

Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$7,500. 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 and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Governmental Activities Estimated Useful Life</u>
Land Improvements	15 years
Buildings	40 years
Machinery and Equipment	10 years
Vehicles	7 years
Infrastructure	20-80 years

**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 Position.

**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.

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.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Accrued Liabilities and Long-Term Obligations** (Continued)

However, claims and compensated absences 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, long-term loans and notes are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**Pensions / Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as properly acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City's Council. Those committed amounts cannot be used for any other purpose unless the City's Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance** (Continued)

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by City Council.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classification. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$7,101,735 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position 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.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Internal Activity** (Continued)

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.

**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.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2020.

**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.

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.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Budgetary Process** (Continued)

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: **CHANGE IN ACCOUNTING PRINCIPLES**

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). These changes were incorporated in the City's 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its fiduciary funds and all have been reclassified as governmental funds. These changes were incorporated in the City's 2020 financial statement; however, there was no effect on the beginning net position/fund balance.

NOTE 4: **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 are 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).

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (CONTINUED)**

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NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

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 part of restricted, committed, or assigned fund balance (GAAP).
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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:

	General	Fire Service
GAAP Basis	\$ 923,566	\$ 668,090
Revenue Accruals	(8,762)	-
Expenditure Accruals	(69,404)	(38,037)
Funds with separate legally adopted budgets	(41,739)	-
Encumbrances (Budget Basis) outstanding at year end	(185,915)	(27,768)
Budget Basis	\$ 617,746	\$ 602,285

NOTE 5: **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.



**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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 issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments and municipalities;
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, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus program); 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.

**CITY OF RICHMOND HEIGHTS  
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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (CONTINUED)**

**NOTE 5: DEPOSITS AND INVESTMENTS** (Continued)

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**

At year end, the carrying amount of the City’s deposits was \$4,023,178, and the bank balance was \$4,343,988. \$250,000 of the City’s bank balance was covered by Federal Depository Insurance, \$4,093,988 was uninsured, and \$2,072,012 was uninsured and uncollateralized. The City’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance. The City also had \$325 in undeposited cash on hand, which is included on the statement of net position and balance as part of equity in pooled cash and cash equivalents.

*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. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The City’s financial institution had enrolled in OPCS as of December 31, 2020.

**Investments**

At December 31, 2020, the City had the following investments:

<u>Investment</u>	<u>Rating by Standard &amp; Poor's</u>	<u>Level Input</u>	<u>Measurement Value</u>	<u>Investment Maturities (in years) &lt;1</u>	<u>Percentage of Total Investments</u>
STAR Ohio	Aam	N/A	\$ 7,294,500	\$ 7,294,500	100.00%

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**(CONTINUED)**

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NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

STAR Ohio is measured at net asset value per share.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service.

*Credit Risk* – The City’s investments’ credit ratings are summarized above.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2020, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for ambulance services).

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 \$657,682 in the General Fund, \$2,654,910 in the Bond Retirement Fund and \$8,105 in the Street Improvement Fund.

**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 2020 for real and public utility property taxes represents collections of the 2019 taxes. Property tax payments received during 2020 for tangible personal property (other than public utility property) are for 2020 taxes.

2020 real property taxes are levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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.

**CITY OF RICHMOND HEIGHTS  
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 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (CONTINUED)**

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NOTE 6: **RECEIVABLES** (Continued)

**Property Taxes** (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020 was \$18.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Estate	\$ 238,521,570	98.15 %
Public Utility	4,485,920	1.85
Total	<u>\$ 243,007,490</u>	<u>100.00 %</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Fiscal Officer 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, 2020 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2020 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.

**Income Tax**

The City levies a municipal income tax of 2.25 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 up to 1.25 percent of income tax paid to another municipality.

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 2020, the proceeds were allocated one hundred percent to the General Fund.

**CITY OF RICHMOND HEIGHTS  
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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (CONTINUED)**

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NOTE 6: **RECEIVABLES** (Continued)

**Intergovernmental Receivables**

A summary of the intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 112,558
Homestead and Rollback	232,605
Gasoline and Auto Registration tax	262,835
Permissive tax	1,767
Grants	212,750
Miscellaneous	4,933
Total	\$ 827,448

NOTE 7: **INTERFUND TRANSFERS AND BALANCES**

**Interfund Transfers**

Interfund transfers for the year ended December 31, 2020 consisted of the following:

Transfers To	Transfers From General Fund
Fire Service	\$ 1,000,000
Bond Retirement	100,000
Nonmajor Governmental Funds	1,215,000
Total	\$ 2,315,000

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 Fund were to fund its operations. Transfers from the General Fund to the Bond Retirement Fund were to cover debt payments. Transfers from the General Fund to Nonmajor Governmental Funds were to fund operations. Transfers between governmental funds are eliminated on the governmental activities' statement of activities.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 8: FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Fire Service	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepaid Items	\$ 267,693	\$ 35,513	\$ -	\$ 121,593	\$ 424,799
Inventories	8,036	7,383	-	11,820	27,239
<i>Total Nonspendable</i>	<u>275,729</u>	<u>42,896</u>	<u>-</u>	<u>133,413</u>	<u>452,038</u>
<i>Restricted for</i>					
Streets and Highways	-	-	-	873,485	873,485
Police Pension	-	-	-	86,139	86,139
Fire Service	-	1,090,401	-	-	1,090,401
Fire Pension	-	-	-	210,884	210,884
Other Law Enforcement	-	-	-	76,674	76,674
Community	-	-	-	28,330	28,330
Recycling	-	-	-	12,815	12,815
Coronavirus	-	-	-	796	796
School Safety Training	-	-	-	2,500	2,500
Capital	-	-	-	1,126,097	1,126,097
Bond Retirement	-	-	479,066	-	479,066
<i>Total Restricted</i>	<u>-</u>	<u>1,090,401</u>	<u>479,066</u>	<u>2,417,720</u>	<u>3,987,187</u>
<i>Committed to</i>					
Recreation	-	-	-	61,619	61,619
Rescue Squad	-	-	-	950,152	950,152
City Beautification	-	-	-	1,929	1,929
Professional Services	-	-	-	131,439	131,439
Zoning	-	-	-	33,695	33,695
Other Purposes	513,208	-	-	-	513,208
<i>Total Committed</i>	<u>513,208</u>	<u>-</u>	<u>-</u>	<u>1,178,834</u>	<u>1,692,042</u>
<i>Assigned to</i>					
Purchases on Order:					
Security of Persons and Property	6,845	-	-	-	6,845
Leisure Time Activities	755	-	-	-	755
Community Environment	5,277	-	-	-	5,277
Transportation	3,043	-	-	-	3,043
General Government	84,395	-	-	-	84,395
Fiscal Year 2021 Appropriations	1,563,060	-	-	-	1,563,060
<i>Total Assigned</i>	<u>1,663,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,663,375</u>
<i>Unassigned</i>	4,674,946	-	-	-	4,674,946
<b>Total Fund Balances</b>	<u><u>\$ 7,127,258</u></u>	<u><u>\$ 1,133,297</u></u>	<u><u>\$ 479,066</u></u>	<u><u>\$ 3,729,967</u></u>	<u><u>\$ 12,469,588</u></u>

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 9: **CONTINGENCIES**

**Grants**

For the period January 1, 2020 to December 31, 2020, 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 one third of accumulated unused sick leave, not to exceed a maximum of 960 hours.

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**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
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**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**NOTE 11: CAPITAL ASSETS**

	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,900,846	\$ -	\$ (20,594)	\$ 2,880,252
Construction in Progress	298,933	1,422,248	(1,709,102)	12,079
Total Capital Assets Not Being Depreciated	<u>3,199,779</u>	<u>1,422,248</u>	<u>(1,729,696)</u>	<u>2,892,331</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	597,286	160,891	-	758,177
Buildings	13,147,592	108,695	(32,920)	13,223,367
Machinery and Equipment	1,190,804	35,808	(179,434)	1,047,178
Vehicles	3,002,216	90,623	(382,004)	2,710,835
Infrastructures:				
Roads	2,660,211	1,629,902	-	4,290,113
Sanitary Sewers	6,284,513	-	-	6,284,513
Water Mains	1,750,830	-	-	1,750,830
Total Capital Assets Being Depreciated	<u>28,633,452</u>	<u>2,025,919</u>	<u>(594,358)</u>	<u>30,065,013</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(351,953)	(16,128)	-	(368,081)
Buildings	(5,280,148)	(319,923)	13,579	(5,586,492)
Machinery and Equipment	(844,150)	(82,646)	175,846	(750,950)
Vehicles	(2,354,686)	(172,854)	361,674	(2,165,866)
Infrastructures:				
Roads	(598,549)	(133,009)	-	(731,558)
Sanitary Sewers	(2,195,695)	(157,113)	-	(2,352,808)
Water Mains	(529,128)	(43,771)	-	(572,899)
Total Accumulated Depreciation	<u>(12,154,309)</u>	<u>(925,444)*</u>	<u>551,099</u>	<u>(12,528,654)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>16,479,143</u>	<u>1,100,475</u>	<u>(43,259)</u>	<u>17,536,359</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 19,678,922</u>	<u>\$ 2,522,723</u>	<u>\$ (1,772,955)</u>	<u>\$ 20,428,690</u>

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 71,406
Security of Persons and Property	377,880
Community Environment	367,274
Leisure Time Activities	14,719
Transportation	94,165
<b>Total Depreciation Expense</b>	<u>\$ 925,444</u>



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**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 12: **DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**CITY OF RICHMOND HEIGHTS  
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(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ Comprehensive Annual Financial Report referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member’s pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

\* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2020 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$238,912 for 2020. Of this amount, \$20,620 is reported as an intergovernmental payable.

**Plan Description – Ohio Police & Fire Pension Fund (OP&F)**

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF RICHMOND HEIGHTS  
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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Police & Fire Pension Fund (OP&F)** (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit. The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA. Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members’ base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2020 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2020 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$775,362 for 2020. Of this amount, \$90,021 is reported as an intergovernmental payable.

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability - Prior Measurement Date	0.012537%	0.075989%	0.078452%	
Proportion of the Net Pension Liability - Current Measurement Date	0.011914%	0.074523%	0.076535%	
Change in Proportionate Share	<u>-0.000623%</u>	<u>-0.001466%</u>	<u>-0.001917%</u>	
Proportionate Share of the Net Pension Liability	\$ 2,354,883	\$ 5,020,260	\$ 5,155,822	\$ 12,530,965
Pension Expense	\$ 272,449	\$ 767,934	\$ 595,028	\$ 1,635,411

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ -	\$ 190,032	\$ 195,162	\$ 385,194
Changes of assumptions	125,779	123,235	126,563	375,577
Changes in proportion and differences between City contributions and proportionate share of contributions	-	367,749	16,025	383,774
City contributions subsequent to the measurement date	238,912	376,803	398,559	1,014,274
Total Deferred Outflows of Resources	<u>\$ 364,691</u>	<u>\$ 1,057,819</u>	<u>\$ 736,309</u>	<u>\$ 2,158,819</u>
<b>Deferred Inflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$ 469,747	\$ 242,520	\$ 249,066	\$ 961,333
Differences between expected and actual experience	29,775	258,914	265,905	554,594
Changes in proportion and differences between City contributions and proportionate share of contributions	151,570	78,718	276,531	506,819
Total Deferred Inflows of Resources	<u>\$ 651,092</u>	<u>\$ 580,152</u>	<u>\$ 791,502</u>	<u>\$ 2,022,746</u>

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$1,014,274 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS			
	Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Year Ending December 31:				
2021	\$ (177,110)	\$ 73,637	\$ (118,011)	\$ (221,484)
2022	(181,135)	92,656	(93,553)	(182,032)
2023	19,453	181,719	43,551	244,723
2024	(186,521)	(218,121)	(254,160)	(658,802)
2025	-	(29,027)	(31,579)	(60,606)
Total	<u>\$ (525,313)</u>	<u>\$ 100,864</u>	<u>(\$453,752)</u>	<u>(\$878,201)</u>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a gain of 17.23 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table on the next page displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:



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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	5.61 %

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 3,883,964	\$ 2,354,883	\$ 980,284

***Changes Between Measurement Date and Report Date*** Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation.

**CITY OF RICHMOND HEIGHTS  
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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, are presented below:

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

**CITY OF RICHMOND HEIGHTS  
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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019, are summarized on the following page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
International Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Private Real Estate	12.00	5.40	6.40
Private Markets	8.00	6.10	8.00
Midstream Energy Infrastructure	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	<u>8.00</u>	6.90	7.40
Total	<u>120.00 %</u>		

Note: Assumptions are geometric  
\* levered 2x  
\*\* numbers are net of expected inflation

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** - The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members.

**CITY OF RICHMOND HEIGHTS  
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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 14,103,696	\$ 10,176,082	\$ 6,891,022

***Changes Between Measurement Date and Report Date*** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F's investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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NOTE 13: **DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability** (Continued)

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

The 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$747 for 2020.

**Plan Description – Ohio Police & Fire Pension Fund (OP&F)**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. As a result of this change, it is expected that the solvency of the Health Care Stabilization Fund (HCSF) will be extended allowing OP&F to provide stipends to eligible participants.

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

**CITY OF RICHMOND HEIGHTS  
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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Plan Description – Ohio Police & Fire Pension Fund (OP&F)** (Continued)

The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 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 employer units, 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2020, the portion of employer contributions allocated to health care was 0.5 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 City's contractually required contribution to OP&F was \$18,396 for 2020. Of this amount, \$2,145 is reported as an intergovernmental payable.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019.

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**(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.011967%	0.154441%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.011383%</u>	<u>0.151058%</u>	
Change in Proportionate Share	<u>-0.000584%</u>	<u>-0.003383%</u>	
Proportionate Share of the Net OPEB Liability	\$ 1,572,288	\$ 1,492,111	\$ 3,064,399
OPEB Expense	\$ 119,023	\$ 187,515	\$ 306,538

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 43	\$ -	\$ 43
Changes of assumptions	248,876	872,346	1,121,222
Changes in proportion and differences between City contributions and proportionate share of contributions	1,034	191,126	192,160
City contributions subsequent to the measurement date	<u>747</u>	<u>18,396</u>	<u>19,143</u>
Total Deferred Outflows of Resources	<u>\$ 250,700</u>	<u>\$ 1,081,868</u>	<u>\$ 1,332,568</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 143,793	\$ 160,462	\$ 304,255
Changes of assumptions	-	317,992	317,992
Net difference between projected and actual earnings on OPEB plan investments	80,060	68,663	148,723
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>90,330</u>	<u>20,077</u>	<u>110,407</u>
Total Deferred Inflows of Resources	<u>\$ 314,183</u>	<u>\$ 567,194</u>	<u>\$ 881,377</u>



**CITY OF RICHMOND HEIGHTS  
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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

\$19,143 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2021	\$ (29,178)	\$ 93,683	\$ 64,505
2022	(908)	93,681	92,773
2023	65	107,766	107,831
2024	(34,209)	85,563	51,354
2025	-	88,172	88,172
Thereafter	-	27,413	27,413
Total	<u>\$ (64,230)</u>	<u>\$ 496,278</u>	<u>\$ 432,048</u>

**Actuarial Assumptions – OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.25 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

***Discount Rate*** – A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** – The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Current Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
City's proportionate share of the net OPEB liability	\$ 2,057,591	\$ 1,572,288	\$ 1,183,718

**CITY OF RICHMOND HEIGHTS  
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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate* – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,525,891	\$ 1,572,288	\$ 1,618,093

*Changes between Measurement Date and Report Date*

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

**Actuarial Assumptions – OP&F**

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future.

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

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**(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-US Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Real Estate	12.00	6.90	7.40
Private Markets	8.00	6.10	8.00
Master Limited Partnerships	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	<u>8.00</u>	6.90	7.40
 Total	 <u>120.00 %</u>		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**CITY OF RICHMOND HEIGHTS  
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 (CONTINUED)**

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

**Discount Rate** – The total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** – Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City’s proportionate share of the net OPEB liability	\$ 1,850,122	\$ 1,492,111	\$ 1,194,630

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** – Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

**Changes Between Measurement Date and Report Date** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F’s investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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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.

**Workers' Compensation**

The City participates in the Ohio Association of Public Treasurers (OAPT) public risk pool for workers' compensation. See Note 16 Insurance Purchasing Pool for further information.

**Employee Insurance Benefits**

The City provides medical and prescription drug benefits through Anthem Blue Cross and Blue Shield, dental benefits through Delta Dental of Ohio and vision benefits through Lincoln Financial for all full-time employees. 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 \$1,642 for family coverage, \$1,228 for an employee plus one additional person and \$603 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 Beachwood, Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles and cyber liability, 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 the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, the City of University Heights, whose commencement date is October 1, 2008, and the City of Beachwood, whose commencement date is October 1, 2017. After the initial three years, each City may extend its term in three-year increments.



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**NOTE 15: SHARED RISK POOL** (Continued)

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. The self-insurance pool will pay up to \$1,250,000 per policy year before the aggregate stop-loss coverage takes over. 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 2020, the City of Richmond Heights paid \$82,340 in premiums from the General Fund. The City also paid \$38,059 in loss fund contributions. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Hudson, 115 Executive Pkwy, Hudson, Ohio 44236.

**NOTE 16: INSURANCE PURCHASING POOL**

The City participates in the Ohio Association of Public Treasurers (OAPT) public risk pool for workers' compensation. The Group Rating Plan is administered by CompManagement, Inc., who acts as the City's third-party administrator. 1-888-OHIOCOMP acts as the City's Managed Care Organization (MCO). The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

**NOTE 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
<b>General Obligation</b>				
Various Purpose - 2007	2007	3.75 - 4.0	\$ 4,125,000	December 1, 2021
Various Purpose - 2009	2009	3.0 - 5.0	5,259,999	December 1, 2020
<b>OWDA Loans</b>				
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
<b>OPWC Loan</b>				
Skyline-Glen Oval Waterline and Pavement	2010	0.00	743,411	January 1, 2030
<b>Intergovernmental Payable</b>				
City of Highland Heights	2002	0.00	190,923	January 1, 2020

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**NOTE 17: LONG-TERM OBLIGATIONS** (Continued)

A schedule of changes in bonds and other long-term obligations of the City during 2020 follows:

	Principal Outstanding 1/1/2020	Additions	Deletions	Principal Outstanding 12/31/2020	Amounts Due in One Year
<b><u>Governmental Activities</u></b>					
<b><u>General Obligation Bonds</u></b>					
Various Purpose - 2007	\$ 600,000	\$ -	\$ (295,000)	\$ 305,000	\$ 305,000
Unamortized Premium	3,716	-	(1,855)	1,861	-
Various Purpose - 2009					
Refunding	29,999	-	(29,999)	-	-
Unamortized Premium	22,422	-	(22,422)	-	-
<b>Total General Obligation Bonds</b>	<b>656,137</b>	<b>-</b>	<b>(349,276)</b>	<b>306,861</b>	<b>305,000</b>
<b><u>OWDA Loans- Direct Borrowings</u></b>					
Brushview Road Sewer	15,890	-	(15,890)	-	-
Highland Road - Meadowlane	67,198	-	(44,380)	22,818	22,818
Richmond Road	216,992	-	(59,034)	157,958	61,359
Sunset/Skyline Sewer Construction	306,075	-	(63,845)	242,230	66,158
Dunbarton/Cary Jay - Construction	198,403	-	(33,384)	165,019	34,532
Richmond Road et al Sewers	460,443	-	(64,530)	395,913	66,710
Richmond Road and Side Streets	899,392	-	(87,539)	811,853	90,406
<b>Total OWDA Loans</b>	<b>2,164,393</b>	<b>-</b>	<b>(368,602)</b>	<b>1,795,791</b>	<b>341,983</b>
<b><u>OPWC Loan- Direct Borrowing</u></b>					
Skyline-Glen Oval Waterline and Pavement	390,287	-	(18,585)	371,702	37,170
<b>Total OPWC Loan</b>	<b>390,287</b>	<b>-</b>	<b>(18,585)</b>	<b>371,702</b>	<b>37,170</b>
<b><u>Net Pension Liability</u></b>					
OPERS	3,433,630	-	(1,078,747)	2,354,883	-
OP&F	12,606,459	-	(2,430,377)	10,176,082	-
<b>Total Net Pension Liability</b>	<b>16,040,089</b>	<b>-</b>	<b>(3,509,124)</b>	<b>12,530,965</b>	<b>-</b>
<b><u>Net OPEB Liability</u></b>					
OPERS	1,560,214	12,074	-	1,572,288	-
OP&F	1,406,421	85,690	-	1,492,111	-
<b>Total Net OPEB Liability</b>	<b>2,966,635</b>	<b>97,764</b>	<b>-</b>	<b>3,064,399</b>	<b>-</b>
<b><u>Other Long-term Liabilities</u></b>					
City of Highland Heights	9,709	-	(9,546)	163	163
Police Pension Liability	33,350	-	(1,563)	31,787	1,630
Capital Leases	29,550	-	(29,550)	-	-
Compensated Absences	963,411	344,556	(181,306)	1,126,661	242,089
<b>Total Other Long-term Liabilities</b>	<b>1,036,020</b>	<b>344,556</b>	<b>(221,965)</b>	<b>1,158,611</b>	<b>243,882</b>
<b>Total Governmental</b>					
<b>Long-Term Liabilities</b>	<b>\$ 23,253,561</b>	<b>\$ 442,320</b>	<b>\$ (4,467,552)</b>	<b>\$ 19,228,329</b>	<b>\$ 928,035</b>

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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NOTE 17: **LONG-TERM OBLIGATIONS** (Continued)

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.

The City's direct borrowings from OWDA contain a provision that in an event of default the amount of such default shall bear interest at the default rate from the due date until the date of the payment. In addition to the interest, a late charge of one percent on the amount of each default shall also be paid to OWDA by the City from the pledged revenues for failure to make the payment.

The City's direct borrowing from OPWC contains a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from the portion of the local government fund that would otherwise be remitted to the City.

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, 2020, is \$163 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 from the Bond Retirement Debt Service Fund.

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. As of December 31, 2020, the defeased bonds have been paid in full.

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. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, the Street Construction Fund, the Police Pension Fund, the Fire Pension Fund, and the Rescue Squad Fund. See Note 12 and 13 for additional information related to the net pension liability and net OPEB liability.

The City's overall legal debt margin was \$25,689,852 at December 31, 2020. The unvoted legal debt margin was \$13,539,478.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**NOTE 17: LONG-TERM OBLIGATIONS** (Continued)

Principal and interest requirements to retire the general obligation bonds, OWDA loans, OPWC loans, intergovernmental payable, and the police pension liability as of December 31, 2020, are as follows:

	G.O. Bonds		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Principal
2021	\$ 305,000	\$ 12,200	\$ 341,983	\$ 51,160	\$ 37,170
2022	-	-	330,381	41,158	37,170
2023	-	-	308,529	31,160	37,170
2024	-	-	247,985	22,326	37,170
2025	-	-	198,640	15,382	37,170
2026-2030	-	-	368,273	18,102	185,852
2031-2035	-	-	-	-	-
	<u>\$ 305,000</u>	<u>\$ 12,200</u>	<u>\$ 1,795,791</u>	<u>\$ 179,288</u>	<u>\$ 371,702</u>

(continued)

	Intergovernmental Payable		Police Pension		Total	
	Principal	Principal	Interest	Principal	Interest	
	2021	\$ 163	\$ 1,630	\$ 1,332	\$ 685,946	\$ 64,692
2022	-	1,700	1,262	369,251	42,420	
2023	-	1,773	1,189	347,472	32,349	
2024	-	1,850	1,113	287,005	23,439	
2025	-	1,929	1,034	237,739	16,416	
2026-2030	-	10,961	3,852	565,086	21,954	
2031-2035	-	11,944	1,290	11,944	1,290	
	<u>\$ 163</u>	<u>\$ 31,787</u>	<u>\$ 11,072</u>	<u>\$ 2,504,443</u>	<u>\$ 202,560</u>	

**NOTE 18: CAPITAL LEASES**

In 2017, the City entered into an agreement with Software Solutions, Inc. for the purchase and implementation of financial software. The total project cost was \$98,500, with a down payment of \$9,850 to be followed by three payments of \$29,550 each. The lease meets the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The assets acquired were capitalized in governmental activities in the amount of \$98,500, which was the present value of the minimum lease payments at the inception of the lease. As of December 31, 2020, the capital lease was paid in full.

**CITY OF RICHMOND HEIGHTS**  
**CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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**NOTE 19: 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. The governing body of ESRCOG is a council comprised of one representative from each of the five participating municipalities. The Council adopts a budget for ESRCOG annually. Each member's degree of control is limited to its representation on the Council.

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

In 2020, the City contributed \$22,800. Financial information can be obtained from Joseph Filippo, Finance Director, City of Highland Heights, at 5827 Highland Road, Highland Heights, Ohio 44143, who serves as fiscal agent.

**Heights Hillcrest Communications Center**

The City was a member of the Heights Hillcrest Communications Center (HHCC). On September 1, 2017, the City entered into an Agreement with four other political subdivisions, the Cities of Cleveland Heights, Shaker Heights, University Heights and South Euclid, to form a Council of Governments (COG), pursuant to the authority granted by Chapter 167 of the Ohio Revised Code and Article XVIII, Section 3 of the Ohio Constitution. The name of the Regional Council of Governments was the Heights-Hillcrest Communications Center ("HHCC"). The purpose of HHCC was to provide a joint Police, Fire and Emergency Medical Services ("EMS") communications system for the dispatch of Police, Fire and EMS services in and for the communities of all of the Members to this Agreement, which was operated and maintained by HHCC. The HHCC Dispatch Center was paid for by all five cities, based on a formula set forth in the Agreement. HHCC first began partial operation on November 1, 2017, with further increase in operation on December 13, 2017, and full operation for all five cities beginning on or about March 31, 2018. The member cities jointly agreed to dissolve HHCC effective December 31, 2021.

**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 energy. NOPEC is currently comprised of over 240 communities from 17 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities. The City participates in NOPEC's gas energy aggregation program.

NOPEC is governed by a General Assembly made up of one representative from each member community.

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

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NOTE 19: **JOINTLY GOVERNED ORGANIZATION** (Continued)

**Northeast Ohio Public Energy Council** (Continued)

The representatives from each county then elect one person to serve on the seventeen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not make any payments to NOPEC during 2020. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139.

**Suburban Water Regional Council of Governments**

The City is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 79 communities.

SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The City did not make any payments to SWRCOG during 2018. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

NOTE 20: **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.

In 2020, the City contributed \$3,652. Financial information can be obtained from the Association, Fred Cash, President, 26789 Highland Road, Richmond Heights, Ohio, 44143.

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (CONTINUED)**

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**NOTE 21: OTHER SIGNIFICANT COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

Fund	Encumbrances Outstanding
General Fund	\$ 100,332
Fire Service Fund	8,921
Nonmajor Governmental Funds	684,625
Total	\$ 793,878

**NOTE 22: COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST SEVEN YEARS (1)**

<b>Traditional Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.011914%	0.012537%	0.013815%	0.013393%	0.014554%	0.011797%	0.011797%
City's Proportionate Share of the Net Pension Liability	\$ 2,354,883	\$ 3,433,630	\$ 2,167,306	\$ 3,041,323	\$ 2,520,936	\$ 1,422,850	\$ 1,390,713
City's Covered Payroll	\$ 1,676,314	\$ 1,693,314	\$ 1,835,154	\$ 1,732,867	\$ 1,674,792	\$ 1,583,675	\$ 1,480,869
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.78%	118.10%	175.51%	150.52%	89.84%	93.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE PENSION FUND  
LAST SEVEN YEARS (1)**

<b>Police</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.0745229%	0.0759889%	0.0722310%	0.0665650%	0.0640633%	0.0622547%	0.0622547%
City's Proportionate Share of the Net Pension Liability	\$ 5,020,260	\$ 6,202,699	\$ 4,433,157	\$ 4,216,166	\$ 4,121,234	\$ 3,225,053	\$ 3,031,999
City's Covered Payroll	\$ 1,971,489	\$ 1,919,084	\$ 1,753,058	\$ 1,544,737	\$ 1,451,679	\$ 1,372,358	\$ 1,268,436
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	254.64%	323.21%	252.88%	272.94%	283.89%	235.00%	239.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
<b>Fire</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.0765352%	0.0784521%	0.0816620%	0.0815050%	0.0844897%	0.0833731%	0.0833731%
City's Proportionate Share of the Net Pension Liability	\$ 5,155,822	\$ 6,403,760	\$ 5,011,988	\$ 5,162,446	\$ 5,435,282	\$ 4,319,075	\$ 4,060,532
City's Covered Payroll	\$ 1,646,038	\$ 1,611,796	\$ 1,610,332	\$ 1,531,553	\$ 1,549,830	\$ 1,496,702	\$ 1,459,624
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	313.23%	397.31%	311.24%	337.07%	350.70%	288.57%	278.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST EIGHT YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 238,912	\$ 234,684	\$ 237,064	\$ 238,570	\$ 207,944	\$ 200,975	\$ 190,041	\$ 192,513
Contributions in Relation to the Contractually Required Contribution	<u>(238,912)</u>	<u>(234,684)</u>	<u>(237,064)</u>	<u>(238,570)</u>	<u>(207,944)</u>	<u>(200,975)</u>	<u>(190,041)</u>	<u>(192,513)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,706,514	\$ 1,676,314	\$ 1,693,314	\$ 1,835,154	\$ 1,732,867	\$ 1,674,792	\$ 1,583,675	\$ 1,480,869
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION  
 OHIO POLICE AND FIRE PENSION FUND  
 LAST TEN YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Contractually Required Contributions</u>										
Police	\$ 376,803	\$ 374,583	\$ 364,626	\$ 333,081	\$ 293,500	\$ 275,819	\$ 260,748	\$ 199,525	\$ 161,979	\$ 166,672
Fire	398,559	386,819	378,772	378,428	359,915	364,210	351,725	295,282	253,951	234,614
Total Required Contributions	\$ 775,362	\$ 761,402	\$ 743,398	\$ 711,509	\$ 653,415	\$ 640,029	\$ 612,473	\$ 494,807	\$ 415,930	\$ 401,286
Contributions in Relation to the Contractually Required Contribution	(775,362)	(761,402)	(743,398)	(711,509)	(653,415)	(640,029)	(612,473)	(494,807)	(415,930)	(401,286)
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>City's Covered Payroll</u>										
Police	\$ 1,983,174	\$ 1,971,489	\$ 1,919,084	\$ 1,753,058	\$ 1,544,737	\$ 1,451,679	\$ 1,372,358	\$ 1,268,436	\$ 1,270,424	\$ 1,307,231
Fire	\$ 1,695,996	\$ 1,646,038	\$ 1,611,796	\$ 1,610,332	\$ 1,531,553	\$ 1,549,830	\$ 1,496,702	\$ 1,459,624	\$ 1,472,180	\$ 1,360,081
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST FOUR YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.011383%	0.011967%	0.013170%	0.012810%
City's Proportionate Share of the Net OPEB Liability	\$ 1,572,288	\$ 1,560,214	\$ 1,430,165	\$ 1,293,854
City's Covered Payroll	\$ 1,719,779	\$ 1,735,762	\$ 1,865,068	\$ 1,770,231
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.42%	89.89%	76.68%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the City's measurement date,  
which is the prior calendar year end.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 OHIO POLICE AND FIRE PENSION FUND  
 LAST FOUR YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.151058%	0.154441%	0.153894%	0.148070%
City's Proportionate Share of the Net OPEB Liability	\$ 1,492,111	\$ 1,406,421	\$ 8,719,395	\$ 7,028,550
City's Covered Payroll	\$ 3,617,527	\$ 3,530,880	\$ 3,363,390	\$ 3,076,290
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.25%	39.83%	259.24%	228.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST SIX YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 747	\$ 1,066	\$ 1,038	\$ 19,269	\$ 35,873	\$ 36,578
Contributions in Relation to the Contractually Required Contribution	<u>(747)</u>	<u>(1,066)</u>	<u>(1,038)</u>	<u>(19,269)</u>	<u>(35,873)</u>	<u>(36,578)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,742,271	\$ 1,719,779	\$ 1,735,762	\$ 1,865,068	\$ 1,770,231	\$ 1,837,713
Contributions as a Percentage of Covered Payroll	0.04%	0.06%	0.06%	1.03%	2.03%	1.99%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB  
 OHIO POLICE AND FIRE PENSION FUND  
 LAST TEN YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$ 18,396	\$ 18,087	\$ 17,654	\$ 16,817	\$ 15,953	\$ 14,924	\$ 14,297	\$ 97,301	\$ 185,126	\$ 180,043
Contributions in Relation to the Contractually Required Contribution	<u>(18,396)</u>	<u>(18,087)</u>	<u>(17,654)</u>	<u>(16,817)</u>	<u>(15,953)</u>	<u>(14,924)</u>	<u>(14,297)</u>	<u>(97,301)</u>	<u>(185,126)</u>	<u>(180,043)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,679,170	\$ 3,617,527	\$ 3,530,880	\$ 3,363,390	\$ 3,076,290	\$ 3,001,509	\$ 2,869,060	\$ 2,728,063	\$ 2,742,604	\$ 2,667,312
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2020.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**OHIO POLICE AND FIRE (OP&F) PENSION FUND**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2020, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018 and 2020. For 2019, see below regarding changes to stipend-based model.

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56.

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**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed Through Cuyahoga County</b>			
Community Development Block Grant- Kiwanis Lodge	14.218	Cuyhoga Reso. 2020-0077	14,579
<b>Total U.S. Department of Housing and Urban Development</b>			<b>14,579</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct Program</b>			
Bulletproof Vest Partnership Program	16.607	N/A	1,711
<b>Passed Through Ohio Department of Public Safety- Office of Criminal Justice Services</b>			
Coronavirus Emergency Supplemental Funding Program	16.034	2020-CE-LEF-2066	1,576
<b>Total U.S. Department of Justice</b>			<b>3,287</b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b>Passed Through Cuyahoga County</b>			
CARES Act - Coronavirus Relief Fund Local Government Assistance Program	21.019	HB481-CRF - Local	\$656,203
CARES Act - Coronavirus Relief Fund Local Government Assistance Program (Additional Funding)	21.019	N/A	45,656
<b>Total U.S. Department of Treasury</b>			<b>701,859</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>			
<b>Direct Program</b>			
CARES Act - Provider Relief Fund	93.498	HHS 92583330311	10,328
<b>Total U.S. Department of Health and Human Services (HHS)</b>			<b>10,328</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY (FEMA)</b>			
<b>Direct Program</b>			
FY 2018 Assistance to Firefighters Grant Program	97.044	EMW-2018-FO-0043	46,081
<b>Total U.S. Department of Homeland Security (FEMA)</b>			<b>46,081</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$776,134</b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Richmond Heights (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement

**NOTE C – INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
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## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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 year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 1, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent period of the City.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

*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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the City'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 financial statements. However, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 1, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the City Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the City of Richmond Heights' (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

### ***Management's Responsibility***

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

**Report on Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 1, 2022



**CITY OF RICHMOND HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2020**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #21.019 – CARES Act – Coronavirus Relief Fund Local Government Assistance Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Agency Fund Deposits	Not Corrected	Reissued in the management letter.

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF RICHMOND HEIGHTS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)