

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

James G. Zupka, CPA, Inc.
Certified Public Accountants

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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ACCOUNTANT'S COMPILATION REPORT

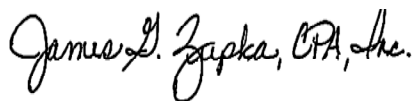
To Members of City Council
City of Richmond Heights, Ohio

We have compiled the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Ohio, as of and for the year ended December 31, 2013, which collectively comprise the City of Richmond Heights, Ohio's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the City of Richmond Heights, Ohio, is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The Management's Discussion and Analysis, on pages 5 through 11, is presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.



James G. Zupka, CPA, Inc.
Certified Public Accountants

July 23, 2014

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**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

The discussion and analysis of the City of Richmond Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- In total, net position in governmental activities increased by \$2,205,055 during 2013. This represents a 13 percent increase from 2012.
- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,957,101.
- City income tax revenue totaled \$5,330,459.

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 2013?" 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.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

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 15. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Richmond Heights, the major funds are the General Fund, Fire Service Special Revenue Fund and the Bond Retirement Debt Service Fund.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. All City activities are reported in the governmental funds focusing on how money flows into and out of those funds and the balances left at year-end available for future spending. 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 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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 UNAUDITED**

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

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 2013 compared to 2012.

Table 1 - Net Position

	Governmental Activities	
	2013	2012
<u>Assets</u>		
Current and Other Assets	\$ 16,454,032	\$ 15,180,864
Capital Assets, Net	21,401,120	22,283,041
Total Assets	37,855,152	37,463,905
<u>Liabilities</u>		
Current and Other Liabilities	584,020	722,093
Long-term Liabilities	14,857,349	16,657,532
Total Liabilities	15,441,369	17,379,625
<u>Deferred Inflows of Resources</u>		
Property Taxes	3,451,610	3,326,438
Deferred Charges on Refunding	5,072	5,796
Total Deferred Inflows of Resources	3,456,682	3,332,234
<u>Net Position</u>		
Net Investment in Capital Assets	7,449,652	6,542,222
Restricted	7,166,328	7,733,706
Unrestricted	4,341,121	2,476,118
Total Net Position	\$ 18,957,101	\$ 16,752,046

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 exceeded liabilities and deferred inflows of resources by \$18,957,101 at year end. The City's net investment in capital assets accounts for 39 percent of total net position. Capital assets include land, construction in progress, land improvements, buildings, roads, water lines, storm sewer lines, sanitary sewer lines, vehicles, and machinery and equipment. 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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 UNAUDITED**

Table 2 shows the changes in net position for the year ended December 31, 2013 compared to 2012.

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues:		
Charges for Services	\$ 1,599,316	\$ 1,591,338
Operating Grants and Contributions	523,068	709,546
Capital Grants and Contributions	271,950	249,542
General Revenues:		
Property Taxes	3,457,326	3,213,858
Income Taxes	5,330,459	4,767,385
Other Taxes	1,307	69,388
Grants and Entitlements	1,066,070	994,143
Investment Earnings	-	203,611
Miscellaneous	186,890	204,155
Total Revenues	12,436,386	12,002,966
Program Expenses		
Security of Persons and Property	5,340,774	5,372,843
Leisure Time Activities	210,401	428,954
Community Environment	489,115	633,056
Transportation	2,074,775	2,053,246
General Government	1,640,157	1,782,696
Interest and Fiscal Charges	476,109	535,707
Total Program Expenses	10,231,331	10,806,502
<i>Change in Net Position</i>	2,205,055	1,196,464
Net Position, Beginning of Year	16,752,046	15,555,582
Net Position, End of Year	\$ 18,957,101	\$ 16,752,046

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate increased from 2 percent to 2.25 percent on gross income effective July 1, 2013. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax, the credit limit being 2.25 percent. During 2013, the revenues generated from this tax amounted to \$5,330,459.

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Security of persons and property and transportation are two major activities of the City generating 72 percent of the governmental expenses. Currently, there are 17 full-time sworn officers in the police department. During 2013, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

The fire service consists of 18 full-time and 12 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 1,728 calls for assistance of which approximately 1,341 were for EMS and the rest for fire and fire related incidents.

In 2013, The City engaged in Stormwater, Sidewalk and Street Improvement projects. The Highland Road project began in 2012, and will be completed in 2014. The majority of the funding is coming from the County. The remainder of the investment in streets was limited to minor repair and resurfacing of various streets.

The City's Funds

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$4,758,621. \$2,632,442 of the ending combined fund balance for 2013 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 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (plus other financing sources) of \$15,833,487 and total expenditures (plus other financing uses) of \$13,882,266. The General Fund reflected an increase of \$1,572,995, increasing the beginning fund balance of \$3,027,114 to \$4,600,109.

General Fund Budgeting Highlights

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

There was a decrease in actual expenditures made compared to the final budget. The City continues to be able to provide the services that the City residents expect while maintaining the costs of providing those services.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities	
	2013	2012
Land	\$ 1,635,588	\$ 1,635,588
Construction-in-progress	393,354	134,019
Land Improvements	161,634	295,698
Buildings	7,339,136	7,596,917
Machinery and Equipments	131,609	199,963
Vehicles	179,731	256,248
Infrastructures	11,560,068	12,164,608
Total Capital Assets, Net	\$ 21,401,120	\$ 22,283,041

The City's plan is to maintain its assets, including infrastructure, in excellent condition. 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 car replacement plan is to replace three vehicles each year. The capital improvement fund has an appropriation for the purchase of two police vehicles and the ambulance billing fund has a sufficient fund balance to purchase EMS vehicles, one of which is scheduled to be replaced in 2014.

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

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. The City has completed construction of a Police Station and City Hall and improvements to the Fire Station. Funds for street repairs and maintenance of facilities are accumulated in the Capital Improvement Fund. See Note 12 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, 2013
 UNAUDITED**

Debt

As of December 31, 2013, the City of Richmond Heights had the following debt outstanding:

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$ 7,064,999	\$ 8,459,999
OWDA Loans	4,805,080	5,183,067
OPWC Loan	613,313	631,899
Intergovernmental Payable	66,985	71,758
Long-Term Note	1,190,000	1,190,000
Police Pension	41,467	42,632
Capital Leases	34,225	-
Total Outstanding Debt	\$ 13,816,069	\$ 15,579,355

At December 31, 2013, the City's overall legal debt margin was \$17,965,713. More detailed information about the City's long-term liabilities is presented in Note 18 and Note 19 to the basic financial statements.

Current Financial Related Activities

While maintaining a positive General Fund balance, the City of Richmond Heights continues to cope with financial challenges resulting from the decline in real estate values and overall decline in the economy. In addition, the Auditor of State in its 2012 audit of the City identified certain deficiencies in internal control over financial reporting that are considered to be material weaknesses and other deficiencies that are considered to be significant deficiencies. Management is committed to correcting these deficiencies and providing the residents of the City of Richmond Heights with full disclosure of the financial position of the City. See Note 4 to the basic financial statements for additional information on the City's accountability and compliance.

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, Mitch Michalec, City of Richmond Heights, 26789 Highland Road, Richmond Heights, Ohio 44143, telephone (216) 486-2474, or at the City's website at www.richmondheightsohio.org or emailed at finance.director@richmondheightsohio.org.

Basic Financial Statements

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Governmental Activities
<u>ASSETS</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,767,948
Materials and Supplies Inventory	44,468
Accounts Receivable	166,245
Intergovernmental Receivable	909,747
Prepaid Items	59,181
Municipal Income Taxes Receivable	1,721,613
Property and Other Taxes Receivable	3,831,568
Special Assessments Receivable	5,953,262
Nondepreciable Capital Assets	2,028,942
Depreciable Capital Assets	19,372,178
Total Assets	37,855,152
 <u>LIABILITIES</u>	
Accounts Payable	128,487
Accrued Wages and Benefits	128,531
Intergovernmental Payable	177,229
Matured Compensated Absences Payable	12,829
Accrued Interest Payable	130,464
Retainage Payable	6,480
Long-term Liabilities:	
Due within one year	3,223,860
Due in more than one year	11,633,489
Total Liabilities	15,441,369
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Property Taxes	3,451,610
Deferral on Refunding	5,072
Total Deferred Inflows of Resources	3,456,682
 <u>NET POSITION</u>	
Net Investment in Capital Assets	7,449,652
Restricted for:	
Debt Services	4,885,002
Capital Projects	266,940
Street Construction, Maintenance and Repairs	676,398
Rescue Squad	881,509
Other Purposes	456,479
Unrestricted	4,341,121
Total Net Position	\$ 18,957,101

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, 2013**

<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>	
Primary Government:					
Governmental Activities:					
Security of Persons and Property	\$ 5,340,774	\$ 414,422	\$ 97,042	\$ -	\$ (4,829,310)
Leisure Time Activities	210,401	85,074	-	-	(125,327)
Community Environment	489,115	735,117	8,243	271,950	526,195
Transportation	2,074,775	78,267	383,883	-	(1,612,625)
General Government	1,640,157	286,436	33,900	-	(1,319,821)
Interest and Fiscal Charges	476,109	-	-	-	(476,109)
Total Governmental Activities	\$ 10,231,331	\$ 1,599,316	\$ 523,068	\$ 271,950	(7,836,997)

General Revenues:

Property Taxes levied for:

General Purposes	1,040,828
Debt Service Purpose	686,837
Other Purposes	1,729,661

Municipal Income Taxes levied for:

General Purposes	5,330,459
Other Taxes	1,307
Grants & Entitlements not restricted to specific programs	1,066,070
All Other Revenues	186,890

Total General Revenues	<u>10,042,052</u>
Change in Net Position	2,205,055

Net Position - Beginning of Year	<u>16,752,046</u>
Net Position - End of Year	<u>\$ 18,957,101</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, 2013**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 2,237,134	\$ 181,672	\$ -	\$ 1,349,142	\$ 3,767,948
Materials and Supplies Inventory	8,652	-	-	35,816	44,468
Accounts Receivable	48,135	-	-	118,110	166,245
Interfund Receivable	1,370,696	-	-	540,040	1,910,736
Intergovernmental Receivable	415,627	90,721	47,935	355,464	909,747
Prepaid Items	58,436	-	-	745	59,181
Municipal Income Taxes Receivable	1,721,613	-	-	-	1,721,613
Property and Other Taxes Receivable	1,101,407	1,543,782	777,549	408,830	3,831,568
Special Assessments Receivable	441,183	-	5,470,827	41,252	5,953,262
Total Assets	\$ 7,402,883	\$ 1,816,175	\$ 6,296,311	\$ 2,849,399	\$ 18,364,768
LIABILITIES					
Accounts Payable	\$ 93,199	\$ 3,189	\$ -	\$ 32,099	\$ 128,487
Accrued Wages and Benefits	75,188	44,661	-	8,682	128,531
Intergovernmental Payable	68,348	25,988	-	82,893	177,229
Matured Compensated Absences Payable	12,829	-	-	-	12,829
Retainage Payable	-	-	-	6,480	6,480
Interfund Payable	-	290,000	579,086	1,041,650	1,910,736
Total Liabilities	249,564	363,838	579,086	1,171,804	2,364,292
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	988,179	1,393,106	701,759	368,566	3,451,610
Unavailable Revenue-Delinquent Property Taxes	106,580	150,676	75,790	40,264	373,310
Unavailable Revenue-Municipal Income Taxes	856,832	-	-	-	856,832
Unavailable Revenue-Special Assessments	441,183	-	5,470,827	41,252	5,953,262
Unavailable Revenue-Other	160,436	90,721	47,935	307,749	606,841
Total Deferred Inflows of Resources	2,553,210	1,634,503	6,296,311	757,831	11,241,855
FUND BALANCES					
Nonspendable	67,088	-	-	36,561	103,649
Restricted	-	-	-	983,259	983,259
Committed	84,132	-	-	955,139	1,039,271
Assigned	71,523	-	-	-	71,523
Unassigned	4,377,366	(182,166)	(579,086)	(1,055,195)	2,560,919
Total Fund Balances (Deficits)	4,600,109	(182,166)	(579,086)	919,764	4,758,621
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,402,883	\$ 1,816,175	\$ 6,296,311	\$ 2,849,399	\$ 18,364,768

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, 2013**

Total Governmental Funds Balance \$ 4,758,621

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. 21,401,120

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

Delinquent Property taxes	\$	373,310	
Municipal Income taxes		856,832	
Special assessments		5,953,262	
Intergovernmental		547,476	
Charges for services		59,365	
Total		7,790,245	7,790,245

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (130,464)

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

General Obligation Bonds Payable		(7,064,999)	
Unamortized Premiums		(171,794)	
Deferral on Refunding		(5,072)	
OWDA Loans Payable		(4,805,080)	
OPWC Loan Payable		(613,313)	
Intergovernmental Payable		(66,985)	
Long Term Note Payable		(1,190,000)	
Police Pension Liability		(41,467)	
Capital Lease Payable		(34,225)	
Compensated Absences		(869,486)	
Total		(14,862,421)	(14,862,421)

Net Position of Governmental Activities \$ 18,957,101

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, 2013**

	<u>General Fund</u>	<u>Fire Service</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Property Taxes	\$ 1,062,907	\$ 1,497,550	\$ 753,752	\$ 400,431	\$ 3,714,640
Municipal Income Taxes	5,232,489	-	-	-	5,232,489
Other Taxes	73,328	-	-	-	73,328
Intergovernmental	762,717	200,023	95,869	722,687	1,781,296
Fees, Licenses and Permits	576,297	-	-	-	576,297
Rentals	48,187	-	-	116,634	164,821
Charges for Services	5,309	-	-	380,154	385,463
Contributions and Donations	9,988	-	-	1,300	11,288
Special Assessments	421,824	-	573,199	6,261	1,001,284
All Other Revenues	88,177	49	-	98,664	186,890
Total Revenues	8,281,223	1,697,622	1,422,820	1,726,131	13,127,796
<u>EXPENDITURES</u>					
Security of Persons and Property	2,391,925	1,970,607	-	682,706	5,045,238
Leisure Time Activities	93,667	-	-	29,936	123,603
Community Environment	274,919	-	-	228,663	503,582
Transportation	1,100,133	-	-	384,576	1,484,709
General Government	1,460,025	-	4,618	39,612	1,504,255
Capital Outlay	37,091	-	-	185,214	222,305
Debt Service:					
Principal Retirement	2,866	-	2,986,346	1,165	2,990,377
Interest and Fiscal Charges	1,093	-	526,706	1,798	529,597
Total Expenditures	5,361,719	1,970,607	3,517,670	1,553,670	12,403,666
Excess of Revenues Over (Under) Expenditures	2,919,504	(272,985)	(2,094,850)	172,461	724,130
<u>OTHER FINANCING SOURCES (USES)</u>					
Inception of Capital Lease	37,091	-	-	-	37,091
Long Term Bond Anticipation Notes Issued	-	-	1,190,000	-	1,190,000
Transfers In	-	360,000	745,000	373,600	1,478,600
Transfers Out	(1,383,600)	-	-	(95,000)	(1,478,600)
Total Other Financing Sources (Uses)	(1,346,509)	360,000	1,935,000	278,600	1,227,091
Net Change in Fund Balances	1,572,995	87,015	(159,850)	451,061	1,951,221
Fund Balances - Beginning of Year	3,027,114	(269,181)	(419,236)	468,703	2,807,400
Fund Balances - End of Year	\$ 4,600,109	\$ (182,166)	\$ (579,086)	\$ 919,764	\$ 4,758,621

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, 2013**

Net Change in Fund Balances-Total Governmental Funds \$ 1,951,221

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 depreciation exceeded capital outlays in the current period.

Capital Outlay	\$	483,263	
Depreciation		(1,365,184)	
Total		(881,921)	(881,921)

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

Delinquent Property taxes		(329,335)	
Municipal Income taxes		97,970	
Special assessments		(329,231)	
Intergovernmental		(125,179)	
Charges for services		(5,635)	
Total		(691,410)	(691,410)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of Notes and capital leases. (1,227,091)

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. 2,990,377

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		10,391	
Amortization of bond premiums		26,506	
Amortization of Gain on Refunding		724	
Accrued Interest		26,258	
Total		63,879	63,879

Change in Net Position of Governmental Activities \$ 2,205,055

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$ 1,091,365	\$ 1,062,860	\$ 1,062,907	\$ 47
Municipal Income Taxes	4,127,287	5,164,000	5,164,511	511
Other Taxes	57,557	72,000	72,021	21
Intergovernmental	473,005	554,824	591,875	37,051
Fees, Licenses and Permits	464,909	566,300	581,745	15,445
Rentals	38,509	47,400	48,187	787
Charges for Services	4,243	5,050	5,309	259
Contributions and Donations	7,982	9,900	9,988	88
Special Assessments	337,106	421,823	421,824	1
All Other Revenues	61,308	73,952	76,715	2,763
Total Revenues	6,663,271	7,978,109	8,035,082	56,973
<u>Expenditures</u>				
Current:				
Security of Persons & Property	2,519,985	2,521,525	2,416,444	105,081
Transportation	1,123,000	1,153,600	1,110,537	43,063
Leisure Time Activities	93,350	112,650	97,436	15,214
Community Environment	289,500	315,700	292,037	23,663
General Government	1,487,500	1,683,800	1,560,553	123,247
Total Expenditures	5,513,335	5,787,275	5,477,007	310,268
Excess of Revenues Over (Under) Expenditures	1,149,936	2,190,834	2,558,075	367,241
<u>Other Financing Sources (Uses)</u>				
Transfers In	281,390	281,390	281,390	-
Transfers Out	(1,623,500)	(1,669,490)	(1,669,490)	-
Total Other Financing Sources (Uses)	(1,342,110)	(1,388,100)	(1,388,100)	-
Net Change in Fund Balance	(192,174)	802,734	1,169,975	367,241
Fund Balance - Beginning of Year	2,228,319	2,228,319	2,228,319	-
Prior Year Encumbrances Appropriated	10,585	10,585	10,585	-
Fund Balance - End of Year	\$ 2,046,730	\$ 3,041,638	\$ 3,408,879	\$ 367,241

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$ 1,541,494	\$ 1,678,900	\$ 1,497,550	\$ (181,350)
Intergovernmental	-	18,557	200,023	181,466
All Other Revenues	-	49	49	-
Total Revenues	1,541,494	1,697,506	1,697,622	116
<u>Expenditures</u>				
Current:				
Security of Persons and Property	1,899,205	2,106,205	1,992,905	113,300
Total Expenditures	1,899,205	2,106,205	1,992,905	113,300
Excess of Revenues Over (Under) Expenditures	(357,711)	(408,699)	(295,283)	113,416
<u>Other Financing Sources</u>				
Transfers In	360,000	360,000	360,000	-
Total Other Financings Sources	360,000	360,000	360,000	-
Net Change in Fund Balance	2,289	(48,699)	64,717	113,416
Fund Balance - Beginning of Year	85,152	85,152	85,152	-
Fund Balance - End of Year	\$ 87,441	\$ 36,453	\$ 149,869	\$ 113,416

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2013**

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 402,449
Total Assets	<u>\$ 402,449</u>
Liabilities	
Deposits Held and Due to Others	402,449
Total Liabilities	<u>\$ 402,449</u>

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, 2013**

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 16, 17, 20, and 21 to the financial statements. These organizations are:

Shared Risk Pool: Northern Ohio Risk Management Association

Insurance Purchasing Pool: Ohio Municipal League

Jointly Governed Organization: Eastern Suburban Regional Council of Governments

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

Basis of Presentation (Continued)

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. The following are the City's major governmental funds:

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

Fund Accounting (Continued)

Governmental Funds (continued)

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 trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City only has agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for donations from citizens held for and used by senior citizens for home visitations, street opening fees, and deposits pledged by contractors.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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. 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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, 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, represents 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. For the City, there were no deferred outflows of resources in 2013.

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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, deferral on refunding and unavailable revenues. 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, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

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, and other. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

The City had no investments during the year or at year end.

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.

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, 2013, 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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

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

Capital Assets (Continued)

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). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land 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>Estimated Useful Life</u>
Land Improvements	45 years
Buildings	45 years
Machinery and Equipment	7 to 20 years
Vehicles	6 to 12 years
Infrastructure	65 years

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

Interfund Balances

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims 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.

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.

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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

Fund Balance (Continued)

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 \$7,166,328 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources 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. 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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

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

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 2013.

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.

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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

A. Change in Accounting Principles

GASB Statement Number 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the City.

GASB Statement Number 66, *Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the City.

The implementation of these GASB Statements did not impact the City's financial statements.

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at December 31, 2013, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds</i>	
Fire Service	\$ 182,166
Fire Pension	22,826
Police Pension	637
Police Training	1,211
Storm Water Improvement	26,642
<i>Debt Service Fund</i>	
Bond Retirement	579,086
<i>Capital Project Funds</i>	
Capital Improvement	716,776
Sewer Improvement	287,103
	\$ 1,816,447

The deficits in the Fire Service Fund, Fire and Police Pension Funds, Sewer Improvement Fund and a portion of the deficit in the Police Training Fund, Storm Water Improvement Fund, and Capital Improvement Fund are caused by the recognition of expenditure accruals on the modified accrual basis of accounting. The deficit in the Bond Retirement Fund and a portion in the Police Training Fund, Storm Water Improvement, and Capital Improvement Fund are caused by negative cash balances. The General Fund provides transfers when cash is required, not when accruals occur.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

B. Compliance

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

The funds that had negative cash balances are as follows:

	Deficit
Police Training	\$ 1,001
Storm Water Improvement	18,722
Bond Retirement	579,086
Capital Improvement	671,256
Street Improvement	33,864

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General and Fire Service funds 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).
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. Unrecorded cash represents amounts expended but not included as expenditures on the budgetary statements, but which is reported on the operating statements prepared using GAAP.
5. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$ 1,572,995	\$ 87,015
Revenue Accruals	(260,141)	-
Expenditure Accruals	(50,235)	9,505
Funds with separate legally adopted budgets	4,799	-
Encumbrances (Budget Basis) outstanding at year end	(97,443)	(31,803)
Budget Basis	\$ 1,169,975	\$ 64,717

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the carrying amount of the City's deposits was \$4,170,397, and the bank balance was \$4,376,688. \$250,000 of the City's bank balance was covered by Federal Depository Insurance. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

NOTE 7: RECEIVABLES

Receivables at December 31, 2013, 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 \$441,183 in the General Fund, \$5,470,827 in the Bond Retirement Fund and \$41,252 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 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) are for 2013 taxes.

2012 real property taxes are levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013 was \$8.70 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Estate	\$252,242,640	98.83 %
Public Utility	2,993,530	1.17
Total	<u>\$255,236,170</u>	<u>100.00 %</u>

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 7: **RECEIVABLES** (Continued)

Property Taxes (Continued)

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 Office 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, 2013 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 2013 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 tax increased from 2.0 percent to 2.25 percent effective July 1, 2013. 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 for income tax paid to another municipality, not to exceed 2.25 percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds may be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City. In 2013, the proceeds were allocated one hundred percent to the General Fund.

Intergovernmental Receivables

A summary of the intergovernmental receivables follows:

<u>Revenue Description</u>	<u>Amount</u>
Local Government	\$ 52,443
Homestead and Rollback	224,712
Gasoline tax	154,252
Estate tax	299,407
Motor Vehicle License Tax	40,990
CAT tax reimbursement	3,009
Grants	126,565
Miscellaneous	8,369
Total	<u>\$ 909,747</u>

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 8: INTERFUND TRANSFERS AND BALANCES

Interfund Transfers

Interfund transfers for the year ended December 31, 2013 consisted of the following:

<u>Transfers To</u>	<u>Transfers from</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	
Fire Service	360,000	-	360,000
Bond Retirement	650,000	95,000	745,000
Nonmajor Governmental Funds	373,600	-	373,600
Total	\$ 1,383,600	\$ 95,000	\$ 1,478,600

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. A transfer from the General Fund to the Fire Service Fund was to fund its operations. Transfers from the General Fund and the Ambulance Billing Fund to the Bond Retirement Fund were to cover debt payments. Transfers between governmental funds are eliminated on the governmental activities' statement of activities.

Interfund Balances

Interfund balances for the year ended December 31, 2013 consisted of the following:

	<u>Receivables</u>	<u>Payables</u>
Major Funds		
General	\$ 1,370,696	\$ -
Fire Service	-	(290,000)
Bond Retirement	-	(579,086)
Nonmajor Governmental Funds		
<i>Special Revenue Funds:</i>		
Rescue Squad	290,000	-
Police Training	-	(1,001)
Storm Water Improvement	-	(18,722)
<i>Capital Projects Fund:</i>		
Street Improvement	250,040	(33,864)
Capital Improvement	-	(698,524)
Sewer Improvement	-	(289,539)
	\$ 1,910,736	\$ (1,910,736)

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 9: 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	\$ 58,436	\$ -	\$ -	\$ 745	\$ 59,181
Inventories	8,652	-	-	35,816	44,468
<i>Total Nonspendable</i>	<u>67,088</u>	<u>-</u>	<u>-</u>	<u>36,561</u>	<u>103,649</u>
<i>Restricted for</i>					
Streets and Highways	-	-	-	610,339	610,339
Other Law Enforcement	-	-	-	35,619	35,619
Community	-	-	-	102,072	102,072
Recycling	-	-	-	9,541	9,541
Capital	-	-	-	225,688	225,688
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>983,259</u>	<u>983,259</u>
<i>Committed to</i>					
Recreation	-	-	-	17,956	17,956
Rescue Squad	-	-	-	765,225	765,225
City Beautification	-	-	-	7,812	7,812
Professional Services	-	-	-	132,236	132,236
Zoning	-	-	-	31,910	31,910
Other Purposes	84,132	-	-	-	84,132
<i>Total Committed</i>	<u>84,132</u>	<u>-</u>	<u>-</u>	<u>955,139</u>	<u>1,039,271</u>
<i>Assigned to</i>					
Purchases on Order	71,523	-	-	-	71,523
<i>Total Assigned</i>	<u>71,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,523</u>
<i>Unassigned (Deficit)</i>	4,377,366	(182,166)	(579,086)	(1,055,195)	2,560,919
Total Fund Balances	<u>\$ 4,600,109</u>	<u>\$ (182,166)</u>	<u>\$ (579,086)</u>	<u>\$ 919,764</u>	<u>\$ 4,758,621</u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 10: **CONTINGENCIES**

Grants

For the period January 1, 2013, to December 31, 2013, 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 11: **COMPENSATED ABSENCES**

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

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for accumulated, unused sick leave, up to a maximum number of 960 hours for all City employees.

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CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 12: CAPITAL ASSETS

	Balance 12/31/2012	Additions	Disposals	Balance 12/31/2013
<u>Governmental Activities</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	1,635,588	\$ -	\$ -	\$ 1,635,588
Construction in Progress	134,019	394,854	(135,519)	393,354
Total Capital Assets Not Being Depreciated	1,769,607	394,854	(135,519)	2,028,942
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,786,198	-	-	1,786,198
Buildings	10,758,391	-	-	10,758,391
Machinery and Equipment	1,911,853	37,091	-	1,948,944
Vehicles	2,019,775	51,318	-	2,071,093
Infrastructures:				
Roads	13,085,552	135,519	-	13,221,071
Storm Sewers	3,854,121	-	-	3,854,121
Sanitary Sewers	8,204,087	-	-	8,204,087
Water Lines	2,381,534	-	-	2,381,534
Total Capital Assets Being Depreciated	44,001,511	223,928	-	44,225,439
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,490,500)	(134,064)	-	(1,624,564)
Buildings	(3,161,474)	(257,781)	-	(3,419,255)
Machinery and Equipment	(1,711,890)	(105,445)	-	(1,817,335)
Vehicles	(1,763,527)	(127,835)	-	(1,891,362)
Infrastructures:				
Roads	(8,072,680)	(479,138)	-	(8,551,818)
Storm Sewers	(2,077,744)	(48,159)	-	(2,125,903)
Sanitary Sewers	(3,138,323)	(165,131)	-	(3,303,454)
Water Lines	(2,071,939)	(47,631)	-	(2,119,570)
Total Accumulated Depreciation	(23,488,077)	(1,365,184)	-	(24,853,261)
<i>Total Capital Assets, being Depreciated, Net</i>	<i>20,513,434</i>	<i>(1,141,256)</i>	<i>-</i>	<i>19,372,178</i>
Governmental Activities Capital Assets, Net	\$ 22,283,041	\$ (746,402)	\$ (135,519)	\$ 21,401,120

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 146,158
Security of Persons and Property	271,819
Community Environment	212,762
Leisure Time Activities	86,984
Transportation	647,461
Total Depreciation Expense	\$ 1,365,184

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans. Total required employer contributions for all plans are equal to 100 percent of employer charges and should be extracted from the employer's records.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$207,322, \$169,413 and \$160,355, respectively. For 2013, 92.2 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Ohio Police and Fire Pension Fund

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Police and Fire Pension Fund (Continued)

From January 1, 2013 thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, Employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The City's contributions to OP&F for police and firefighters pension were \$199,525 and \$295,282 for the year ended December 31, 2013, \$161,979 and \$253,951 for the year ended December 31, 2012, and \$166,672 and \$234,614 for the year ended December 31, 2011, respectively. For 2013, 91.2 percent for police and 88.8 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2013, the unfunded liability of the City was \$41,467, payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

NOTE 14: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800- 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$15,948, \$67,765, and \$64,142, respectively. For 2013, 92.2 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 1, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions towards the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

CITY OF RICHMOND HEIGHTS
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FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Police and Fire Pension Fund (Continued)

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69 percent of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$44,990 and \$52,311 for the year ended December 31, 2013, \$85,754 and \$99,372 for the year ended December 31, 2012, and \$88,238 and \$91,805 for the year ended December 31, 2011. For 2013, 91.2 percent has been contributed for police and 88.8 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 15: **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 16). 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 Municipal League (OML) public risk pool for workers' compensation. See Note 17 Insurance Purchasing Pool for further information.

Employee Insurance Benefits

The City provides medical, dental, vision and prescription drug benefits for all full-time employees through Assurant Employee Benefits. 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 \$1,359 for family coverage, \$943 for an employee plus one additional person and \$453 for single coverage.

NOTE 16: **SHARED RISK POOL**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of 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 provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 16: **SHARED RISK POOL** (Continued)

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

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

In 2013, the City of Richmond Heights paid \$43,042 in premiums from the General Fund, which represents 5.10 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.

NOTE 17: **INSURANCE PURCHASING POOL**

The City participates in the Ohio Municipal League (OML) public risk pool for workers' compensation. The Group Rating Plan is administered by CompManagement, Inc., who acts as the City's third party administrator. University Hospitals CompCare 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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 18: LONG-TERM OBLIGATIONS

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

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation				
Various Purpose - 2005	2005	3.47 %	\$ 3,990,000	December 1, 2015
Various Purpose - 2007	2007	3.75 - 4.0	4,125,000	December 1, 2021
Fire Station Bay Addition - 2008	2008	4.00 - 5.50	400,000	December 1, 2013
Various Purpose - 2009	2009	3.0 - 5.0	5,259,999	December 1, 2020
OWDA Loans				
Monticello Avenue Sewer	1995	4.56	200,000	January 1, 2015
Cardon Road Sewer	1999	4.56	1,554,105	January 1, 2019
Brushview Road Sewer	2000	4.12	439,366	January 1, 2020
Highland Road - Meadowlane	2001	3.79	648,031	January 1, 2021
Richmond Road	2003	3.90	923,490	January 1, 2023
Sunset/Skyline Sewer Construction	2004	3.20 - 3.59	1,036,790	January 1, 2024
Dunbarton/Cary Jay - Construction	2005	3.41	564,812	January 1, 2025
Richmond Road et al Sewers	2006	3.35	1,265,403	January 1, 2026
Richmond Road and Side Streets	2008	3.25	1,769,784	January 1, 2028
OPWC Loan				
Skyling-Glen Oval Waterline and Pavement	2010	0	743,411	January 1, 2030
Intergovernmental Payable				
City of Highland Heights	2002	0	190,923	January 1, 2020
Long-Term Note				
Street Improvement Note	2013	0.49	1,190,000	June 18, 2014

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 18: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in bonds and other long-term obligations of the City during 2013 follows:

	Principal Outstanding 12/31/12	Additions	Deletions	Principal Outstanding 12/31/2013	Amounts Due in One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Various Purpose - 2005	\$ 1,365,000	\$ -	\$ (435,000)	\$ 930,000	\$ 455,000
Various Purpose - 2007	3,035,000	-	(350,000)	2,685,000	360,000
Unamortized Premium	16,701	-	(1,855)	14,846	-
Fire Station Bay Addition - 2008	90,000	-	(90,000)	-	-
Unamortized Premium	2,230	-	(2,230)	-	-
Various Purpose - 2009					
Refunding	1,724,999	-	(220,000)	1,504,999	225,000
General Obligation	2,245,000	-	(300,000)	1,945,000	315,000
Unamortized Premium	179,369	-	(22,421)	156,948	-
Total General Obligation Bonds	8,658,299	-	(1,421,506)	7,236,793	1,355,000
<u>OWDA Loans</u>					
Monticello Avenue Sewer	35,887	-	(13,869)	22,018	14,509
Cardon Road Sewer	664,796	-	(89,975)	574,821	94,125
Brushview Road Sewer	207,612	-	(24,154)	183,458	25,160
Highland Road - Meadowlane	335,293	-	(34,123)	301,170	35,429
Richmond Road	572,133	-	(45,049)	527,084	46,823
Sunset/Skyline Sewer Construction	694,685	-	(49,769)	644,916	51,571
Dunbarton/Cary Jay - Construction	402,996	-	(26,348)	376,648	27,254
Richmond Road et al Sewers	856,816	-	(51,140)	805,676	52,868
Richmond Road and Side Streets	1,412,849	-	(43,560)	1,369,289	72,143
Total OWDA Loans	5,183,067	-	(377,987)	4,805,080	419,882
<u>OPWC Loan</u>					
Skyling-Glen Oval Waterline and Pavement	631,899	-	(18,586)	613,313	37,171
Total OPWC Loan	631,899	-	(18,586)	613,313	37,171
<u>Other Long-term Liabilities</u>					
City of Highland Heights	71,758	-	(4,773)	66,985	9,546
Long Term Note	1,190,000	1,190,000	(1,190,000)	1,190,000	1,190,000
Police Pension Liability	42,632	-	(1,165)	41,467	1,215
Capital Leases	-	37,091	(2,866)	34,225	7,710
Compensated Absences	879,877	196,340	(206,731)	869,486	203,336
Total Other Long-term Liabilities	2,184,267	1,423,431	(1,405,535)	2,202,163	1,411,807
Total Governmental Long-Term Liabilities	\$ 16,657,532	\$ 1,423,431	\$ (3,223,614)	\$ 14,857,349	\$ 3,223,860

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 18: **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.

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, 2013, is \$66,985 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. On December 31, 2013, \$1,610,000 of the defeased bonds are still outstanding.

The police pension liability will be paid from property tax revenue in the Police Pension Fund. The compensated absences will be paid from the General and Fire Service funds.

During 2013, the City issued a \$1,190,000 bond anticipation note at a rate of 0.49 percent will mature in 2014. These notes were used for the street resurfacing. The notes are backed by the full faith and credit of the City.

The City's overall legal debt margin was \$17,965,713 at December 31, 2013. The unvoted legal debt margin was \$5,203,904.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 18: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general obligation bonds, OWDA loans, OPWC loans, and the police pension liability as of December 31, 2013, are as follows:

	G.O. Bonds		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Principal
2014	\$ 1,355,000	\$ 269,850	\$ 419,882	\$ 170,258	\$ 37,171
2015	1,380,000	210,294	428,425	154,040	37,171
2016	950,000	174,563	437,063	137,726	37,171
2017	985,000	137,050	453,842	120,948	37,171
2018	870,000	97,650	471,275	103,514	37,171
2019-2023	1,524,999	354,051	1,779,696	294,155	185,855
2024-2028	-	-	814,897	60,902	185,855
2029-2030	-	-	-	-	55,748
	<u>\$ 7,064,999</u>	<u>\$ 1,243,458</u>	<u>\$ 4,805,080</u>	<u>\$ 1,041,543</u>	<u>\$ 613,313</u>

	Intergovernmental Payable	Police Pension		Total	
	Principal	Principal	Interest	Principal	Interest
2014	\$ 9,546	\$ 1,215	\$ 1,748	\$ 1,822,814	\$ 441,856
2015	9,546	1,267	1,696	1,856,409	366,030
2016	9,546	1,321	1,642	1,435,101	313,931
2017	9,546	1,378	1,585	1,486,937	259,583
2018	9,546	1,437	1,526	1,389,429	202,690
2019-2023	19,255	8,166	6,648	3,517,971	654,854
2024-2028	-	10,077	4,737	1,010,829	65,639
2029-2033	-	12,435	2,378	68,183	2,378
2034-2035	-	4,171	174	4,171	174
	<u>\$ 66,985</u>	<u>\$ 41,467</u>	<u>\$ 22,134</u>	<u>\$ 12,591,844</u>	<u>\$ 2,307,135</u>

NOTE 19: CAPITAL LEASES

Capital lease obligations relate to copiers which are leased under long-term agreements. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds will be reclassified and reflected as debt service in the basic financial statements for the general fund. These expenditures will be reflected as program/function expenditures on a budgetary basis.

**CITY OF RICHMOND HEIGHTS
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

NOTE 19: **CAPITAL LEASES** (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013.

Year	Amount
2014	\$ 9,440
2015	9,440
2016	9,440
2017	6,641
2018	3,481
Total Minimum Lease Payments	38,442
Less: Amount Representing Interest	(4,217)
Present Value of Minimum Lease Payments	\$ 34,225

The assets being acquired have been capitalized in the governmental activities in the amount of \$37,091, which is the present value of the minimum lease payments at the inception of the lease.

NOTE 20: **JOINTLY GOVERNED ORGANIZATION**

Eastern Suburban Regional Council of Governments

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

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

In 2013, the City contributed \$14,000. Financial information can be obtained from Robert G. Tribby, Finance Director, City of Mayfield Heights, at 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207, who serves as fiscal agent.

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

NOTE 21: 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 2013, the City contributed \$2,500. Financial information can be obtained from the Association, David H. Roche, President, 26789 Highland Road, Richmond Heights, Ohio, 44143.

NOTE 22: SUBSEQUENT EVENT

On June 18, 2014, the City will issue \$1,190,000 in bond anticipation notes maturing on June 18, 2015 for street resurfacing. These proceeds were used to retire \$1,190,000 in bond anticipation notes maturing on June 18, 2014.

