



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio as of December 31, 2021, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Fire Service Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated January 19, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 19, 2023

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**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
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, 2021. 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 2021 are as follows:

- In total, net position in governmental activities increased by \$2,841,473 during 2021. This represents a 14 percent increase from 2020.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$22,797,778.
- City municipal income tax revenue totaled \$8,054,243.

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 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of Richmond Heights' Most Significant Funds

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Richmond Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds are governmental funds. The presentation of the City's major funds begins on page 19. Fund financial statements provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Richmond Heights, the major funds are the General Fund, Fire Service Special Revenue Fund, and the Bond Retirement Debt Service Fund.

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

**CITY OF RICHMOND HEIGHTS
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The City of Richmond Heights as a Whole

Recall that the Statement of Net Position pictures the City as a whole. Table 1 provides a summary of the City's net position for 2021 compared to 2020.

Table 1 - Net Position

	Governmental Activities	
	2021	2020
<u>Assets</u>		
Current and Other Assets	\$ 24,284,331	\$ 22,089,237
Capital Assets, Net	20,385,708	20,428,690
Net OPEB Asset	205,238	-
Total Assets	44,875,277	42,517,927
<u>Deferred Outflows of Resources</u>		
Pension	1,912,249	2,158,819
OPEB	1,149,104	1,332,568
Total Deferred Outflows of Resources	3,061,353	3,491,387
<u>Liabilities</u>		
Current and Other Liabilities	2,130,144	849,982
Long-term Liabilities:		
Due within one year	568,584	928,035
Due in more than one year:		
Net Pension Liability	11,878,650	12,530,965
Net OPEB Liability	1,567,345	3,064,399
Other Amounts	2,254,522	2,704,930
Total Liabilities	18,399,245	20,078,311
<u>Deferred Inflows of Resources</u>		
Property Taxes	3,381,332	3,070,575
Pension	2,107,024	2,022,746
OPEB	1,251,251	881,377
Total Deferred Inflows of Resources	6,739,607	5,974,698
<u>Net Position</u>		
Net Investment in Capital Assets	18,597,368	17,954,173
Restricted	6,144,469	7,101,735
Unrestricted	(1,944,059)	(5,099,603)
Total Net Position	\$ 22,797,778	\$ 19,956,305

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Richmond Heights, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,797,778 at year end.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2021, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27." The City previously adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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

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

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

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

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

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

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

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

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

The City's net investment in capital assets accounts for the most significant portion of total net position. At year end, capital asset represented about 45 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current and other assets increased by about 10 percent, mostly due to increases in cash and cash equivalents. Current and other liabilities increased by 151 percent, due to increased contracts payable and unearned revenue outstanding at year end. Long-term liabilities due within one year decreased by 39 percent and long-term liabilities due in more than one year (excluding the net pension and OPEB liabilities) decreased by 17 percent, due to the pay down of general obligation bonds and OWDA loans. Significant variances in deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability were due to recorded adjustments per GASB Statements 68 and 75.

The implementation of GASB Statement No. 68 and 75 requires the reader to perform additional calculations to determine the City's total net position at December 31, 2021 without the implementation of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (OPERS and OP&F) collect, hold, invest, and distribute pension to our employees, not the City of Richmond Heights. These calculations are presented on the following page.

	Governmental Activities
Total Net Position at December 31, 2021 (with GASB 68 and 75)	\$ 22,797,778
GASB 68/75 Calculations:	
Add:	
Deferred Inflows related to Pension	2,107,024
Deferred Inflows related to OPEB	1,251,251
Net Pension Liability	11,878,650
Net OPEB Liability	1,567,345
Less:	
Deferred Outflows related to Pension	(1,912,249)
Deferred Outflows related to OPEB	(1,149,104)
Net OPEB Asset	(205,238)
Total Net Position (without GASB 68 and 75)	\$ 36,335,457

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Table 2 shows the changes in net position for the year ended December 31, 2021 compared to 2020.

Table 2 - Change in Net Position		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,123,321	\$ 1,591,040
Operating Grants and Contributions	679,089	1,362,859
Capital Grants and Contributions	<u>277,222</u>	<u>1,606,683</u>
Total Program Revenues	<u>3,079,632</u>	<u>4,560,582</u>
General Revenues:		
Property Taxes	3,141,738	3,505,379
Municipal Income Taxes	8,054,243	7,059,804
Other Taxes	7,491	8,383
Grants and Entitlements	663,186	726,931
Interest	5,965	51,496
Gain on Sale of Capital Assets	8,598	-
All Other Revenues	<u>472,339</u>	<u>1,159,916</u>
Total General Revenues	<u>12,353,560</u>	<u>12,511,909</u>
Total Revenues	<u>15,433,192</u>	<u>17,072,491</u>
Program Expenses		
Security of Persons and Property	6,411,777	8,201,928
Leisure Time Activities	126,466	141,477
Community Environment	817,314	871,031
Transportation	2,608,141	2,357,105
General Government	2,571,006	2,283,832
Interest and Fiscal Charges	<u>57,015</u>	<u>289,951</u>
Total Program Expenses	<u>12,591,719</u>	<u>14,145,324</u>
<i>Change in Net Position</i>	2,841,473	2,927,167
Net Position - Beginning of Year	<u>19,956,305</u>	<u>17,029,138</u>
Net Position - End of Year	<u>\$ 22,797,778</u>	<u>\$ 19,956,305</u>

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the largest contributor. The City's income tax rate is 2.25 percent on gross income.

Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax, up to a credit limit of 1.25 percent. The City's tax credit limit decreased from 2.25 percent to 1.25 percent, starting for tax year 2017. The decrease in the credit limit was implemented to offset previously reduced income tax collections (due to the closing of local businesses) and recent reductions in other revenue sources, such as the State's elimination of the estate tax in 2013, the phase-out of the CAT tax reimbursement (tax on business inventory, machinery and equipment) and cuts in State Local Government Funds. The revenues generated from income tax amounted to \$8,054,243 in 2021. This represents an increase of 14 percent from 2020, due to increases in collections.

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General property taxes are also a significant source of revenues. Although this is a much more stable tax, property taxes constitute only about a quarter of the general revenues for the City. In addition to the general property taxes, the City has 8.7 mills for the fire service. The fire service levy provides for a portion of the operating expenditures of the fire service, and the remainder of funding comes from the General Fund. Property tax revenue decreased by 10 percent in 2021, mostly due to decreased collections. All other revenues decreased by 59 percent due to Ohio Bureau of Workers Compensation reimbursement monies to the City in 2020.

Program revenues for Charges for Services increased by 33 percent in 2021, mostly due to an increase in recreation program activities. Operating Grants and Contributions decreased by 50 percent in 2021, mostly due to CARES Act monies used support the City’s response to the COVID-19 pandemic in 2020 and the City not using ARPA money in 2021. Capital Grants and Contributions decreased by 83 percent because in 2020 the City completed the Richmond Road resurfacing project and recorded a capital contribution for the amount paid by the federal government.

The provisions of GASB Statements 68 and 75 require the City to recognize a pension/OPEB adjustment that increases expenses by \$1,470,421 in 2021 and increases expenses by \$908,532 in 2020. As a result, it is difficult to ascertain the true operational cost of services and the changes in cost of service from year to year. The table below shows the total expenses by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

EXPENSES	Governmental Activities	
	2021	2020
Program Expenses:		
Security of Persons and Property	\$ 7,300,396	\$ 7,431,757
Leisure Time Activities	145,544	135,921
Community Environment	913,718	850,556
Transportation	2,868,986	2,295,829
General Government	2,776,481	2,232,778
Interest and Fiscal Charges	57,015	289,951
Total Expenses	\$ 14,062,140	\$ 13,236,792

Security of persons and property and transportation are two major activities of the City, generating 72 percent of the governmental expenses, or 70 percent before the effects of GASB 68 and 75 adjustments. Currently there are 22 full-time sworn officers in the police department. During 2021, 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 19 full-time and several part-time fire fighters. All of these fire fighters are fully trained paramedics. Training plays a crucial role in the day-to-day operation of the fire service. The department handled 2,207 calls for assistance, of which 1,622 were for EMS and the remainder for fire and fire related incidents.

Security of persons and property expenses decreased by 22 percent due to the adjustments for GASB 68 and 75 pension/OPEB expense. Without the effects of GASB 68 and 75, security of persons and property expenses decreased by 2 percent.

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The City's Funds

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$13,064,162. \$7,318,708 of the ending fund balance for 2021 constitutes assigned and unassigned fund balance combined, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or committed to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

Information about the City's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (plus other financing sources) of \$16,894,216 and total expenditures (plus other financing uses) of \$16,299,642.

The General Fund reflected a fund balance increase of \$981,982 in 2021. Total revenues were consistent between 2020 and 2021, with less than 1 percent increase in total. Expenditures increased by 11 percent in 2021.

The Fire Service fund balance decreased by \$835,888 in 2021 due to expenditures exceeding revenues in 2021.

The Bond Retirement fund balance increased by \$118,361 in 2021. Total expenditures decreased by 30 percent in 2021, mostly due to decreases in principal retirement as debt principal is paid down.

General Fund Budgeting Highlights

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

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

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Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities	
	2021	2020
Land	\$ 2,880,252	\$ 2,880,252
Construction in Progress	419,180	12,079
Land Improvements	351,130	390,096
Buildings	7,315,330	7,636,875
Machinery and Equipment	407,646	296,228
Vehicles	677,874	544,969
Infrastructure	8,334,296	8,668,191
Total Capital Assets, Net	\$ 20,385,708	\$ 20,428,690

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

Construction in progress increased because the City had two outstanding projects in 2021.

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

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 UNAUDITED**

Debt

As of December 31, 2021, the City of Richmond Heights had the following debt outstanding:

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$ -	\$ 305,000
OWDA Loans	1,453,808	1,795,791
OPWC Loan	334,532	371,702
Intergovernmental Payable	-	163
Police Pension	30,157	31,787
Total Outstanding Debt	\$ 1,818,497	\$ 2,504,443

Long-term debt decreased by 27% in 2021. This was due to the City's scheduled payments all existing long-term debt and no new debt being issued in 2021. At December 31, 2021, the City's overall legal debt margin was \$26,482,879. More detailed information about the City's long-term liabilities is presented in Note 17 to the basic financial statements.

Current Financial Related Activities

Strong leadership and guidance enabled the city to navigate through the COVID-19 Pandemic of 2021. The City of Richmond Heights maintained the A-2 Moody's credit rating, reflecting the City's improving reserve levels, low debt, and stable management. All three of the City's collective bargaining agreements with unions expired as of December 31, 2021. They were continued until new agreements were negotiated in 2022, effective January 1, 2022. Renovation and improvements of the city owned Kiwanis Lodge and Community Park continues. An ADA compliant playground at Community Park was constructed.

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

Contacting the City's Finance Department

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

Basic Financial Statements

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 12,952,077
Materials and Supplies Inventory	147,305
Accounts Receivable	1,507,986
Intergovernmental Receivable	674,963
Prepaid Items	371,417
Municipal Income Taxes Receivable	2,470,228
Property and Other Taxes Receivable	3,893,270
Special Assessments Receivable	2,267,085
Nondepreciable Capital Assets	3,299,432
Depreciable Capital Assets	17,086,276
Net OPEB Asset	205,238
Total Assets	<u>44,875,277</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension	1,912,249
OPEB	1,149,104
Total Deferred Outflows of Resources	<u>3,061,353</u>
<u>LIABILITIES</u>	
Accounts Payable	318,550
Contracts Payable	561,077
Accrued Wages and Benefits	107,593
Intergovernmental Payable	110,826
Matured Compensated Absences Payable	68,273
Accrued Interest Payable	22,364
Retainage Payable	39,150
Unearned Revenue	902,311
Long-term Liabilities:	
Due within one year	568,584
Due in more than one year:	
Net Pension Liability (See Note 12)	11,878,650
Net OPEB Liability (See Note 13)	1,567,345
Other amounts due in more than one year	2,254,522
Total Liabilities	<u>18,399,245</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Property Taxes	3,381,332
Pension	2,107,024
OPEB	1,251,251
Total Deferred Inflows of Resources	<u>6,739,607</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	18,597,368
Restricted for:	
Debt Services	2,836,867
Capital Projects	1,379,804
Street Construction, Maintenance and Repairs	1,430,635
Other Purposes	497,163
Unrestricted	(1,944,059)
Total Net Position	<u>\$ 22,797,778</u>

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, 2021**

<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	\$ 6,411,777	\$ 549,957	\$ 38,401	\$ -	\$ (5,823,419)
Leisure Time Activities	126,466	37,232	-	4,000	(85,234)
Community Environment	817,314	1,221,873	8,485	273,222	686,266
Transportation	2,608,141	49,180	625,570	-	(1,933,391)
General Government	2,571,006	265,079	6,633	-	(2,299,294)
Interest and Fiscal Charges	57,015	-	-	-	(57,015)
Total Governmental Activities	<u>\$ 12,591,719</u>	<u>\$ 2,123,321</u>	<u>\$ 679,089</u>	<u>\$ 277,222</u>	<u>(9,512,087)</u>
 General Revenues:					
Property Taxes levied for:					
General Purposes					950,312
Debt Service Purpose					388,482
Other Purposes					1,802,944
Municipal Income Taxes levied for:					
General Purposes					8,054,243
Other Taxes					7,491
Grants & Entitlements not restricted to specific programs					663,186
Interest					5,965
Gain on Sale of Capital Assets					8,598
All Other Revenues					472,339
Total General Revenues					<u>12,353,560</u>
Change in Net Position					2,841,473
Net Position - Beginning of Year					<u>19,956,305</u>
Net Position - End of Year					<u>\$ 22,797,778</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, 2021**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 7,052,392	\$ 304,180	\$ 597,427	\$ 4,998,078	\$ 12,952,077
Materials and Supplies Inventory	8,036	7,383	-	131,886	147,305
Accounts Receivable	1,175,377	-	-	332,609	1,507,986
Intergovernmental Receivable	179,794	93,288	-	401,881	674,963
Prepaid Items	336,201	26,297	-	8,919	371,417
Municipal Income Taxes Receivable	2,470,228	-	-	-	2,470,228
Property and Other Taxes Receivable	1,167,779	1,649,348	-	1,076,143	3,893,270
Special Assessments Receivable	-	-	2,261,804	5,281	2,267,085
Total Assets	\$ 12,389,807	\$ 2,080,496	\$ 2,859,231	\$ 6,954,797	\$ 24,284,331
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 259,368	\$ 5,385	\$ -	\$ 53,797	\$ 318,550
Accrued Wages and Benefits	72,058	33,068	-	2,467	107,593
Contracts Payable	-	-	-	561,077	561,077
Intergovernmental Payable	30,773	1,998	-	78,055	110,826
Matured Compensated Absences Payable	68,273	-	-	-	68,273
Retainage Payable	-	-	-	39,150	39,150
Unearned Revenue	360,643	-	-	541,668	902,311
Total Liabilities	791,115	40,451	-	1,276,214	2,107,780
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	1,010,658	1,429,463	-	941,211	3,381,332
Unavailable Revenue-Delinquent Property Taxes	155,690	219,885	-	134,932	510,507
Unavailable Revenue-Municipal Income Taxes	1,224,018	-	-	-	1,224,018
Unavailable Revenue-Special Assessments	-	-	2,261,804	5,281	2,267,085
Unavailable Revenue-Other	1,099,086	93,288	-	537,073	1,729,447
Total Deferred Inflows of Resources	3,489,452	1,742,636	2,261,804	1,618,497	9,112,389
FUND BALANCES					
Nonspendable	344,237	33,680	-	140,430	518,347
Restricted	-	263,729	597,427	2,616,841	3,477,997
Committed	443,462	-	-	1,305,647	1,749,109
Assigned	538,472	-	-	-	538,472
Unassigned	6,783,069	-	-	(2,832)	6,780,237
Total Fund Balances	8,109,240	297,409	597,427	4,060,086	13,064,162
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,389,807	\$ 2,080,496	\$ 2,859,231	\$ 6,954,797	\$ 24,284,331

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, 2021**

Total Governmental Funds Balance		\$ 13,064,162
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.		20,385,708
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property taxes	510,507	
Municipal Income taxes	1,224,018	
Special assessments	2,267,085	
Intergovernmental	538,095	
Charges for services	1,191,352	
Total		5,731,057
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(22,364)
The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset are not available for spending in the current period; therefore the liability/asset and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,912,249	
Deferred Inflows - Pension	(2,107,024)	
Net Pension Liability	(11,878,650)	
Net OPEB Asset	205,238	
Deferred Outflows - OPEB	1,149,104	
Deferred Inflows - OPEB	(1,251,251)	
Net OPEB Liability	(1,567,345)	
Total		(13,537,679)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
OWDA Loans Payable	(1,453,808)	
OPWC Loan Payable	(334,532)	
Police Pension Liability	(30,157)	
Compensated Absences	(1,004,609)	
Total		(2,823,106)
Net Position of Governmental Activities		\$ 22,797,778

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, 2021**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Property Taxes	\$ 930,682	\$ 1,344,071	\$ 455,000	\$ 351,600	\$ 3,081,353
Municipal Income Taxes	7,917,480	-	-	-	7,917,480
Other Taxes	7,491	-	-	-	7,491
Intergovernmental	413,716	248,893	65,308	1,080,641	1,808,558
Interest	5,209	-	-	756	5,965
Fees, Licenses and Permits	507,919	-	-	-	507,919
Fines and Forfeitures	72,310	-	-	-	72,310
Rentals	21,830	-	-	112,713	134,543
Charges for Services	594,248	-	-	449,605	1,043,853
Contributions and Donations	5,933	-	-	5,166	11,099
Special Assessments	-	-	352,545	5,354	357,899
All Other Revenues	337,692	41,770	-	92,877	472,339
Total Revenues	10,814,510	1,634,734	872,853	2,098,712	15,420,809
<u>EXPENDITURES</u>					
Security of Persons and Property	3,613,555	2,460,512	-	896,729	6,970,796
Leisure Time Activities	98,974	-	-	10,223	109,197
Community Environment	440,649	-	-	80,474	521,123
Transportation	1,634,153	-	-	334,830	1,968,983
General Government	2,567,564	-	6,816	17,839	2,592,219
Capital Outlay	30,540	10,110	-	1,896,036	1,936,686
Debt Service:					
Principal Retirement	-	-	684,316	1,630	685,946
Interest and Fiscal Charges	-	-	63,360	1,332	64,692
Total Expenditures	8,385,435	2,470,622	754,492	3,239,093	14,849,642
Excess of Revenues Over (Under) Expenditures	2,429,075	(835,888)	118,361	(1,140,381)	571,167
<u>OTHER FINANCING SOURCES (USES)</u>					
Sale of Capital Assets	2,907	-	-	20,500	23,407
Transfers In	-	-	-	1,450,000	1,450,000
Transfers Out	(1,450,000)	-	-	-	(1,450,000)
Total Other Financing Sources (Uses)	(1,447,093)	-	-	1,470,500	23,407
Net Change in Fund Balances	981,982	(835,888)	118,361	330,119	594,574
Fund Balances - Beginning of Year	7,127,258	1,133,297	479,066	3,729,967	12,469,588
Fund Balances - End of Year	\$ 8,109,240	\$ 297,409	\$ 597,427	\$ 4,060,086	\$ 13,064,162

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, 2021**

Net Change in Fund Balances-Total Governmental Funds \$ 594,574

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	899,052	
Depreciation	(927,225)	
Total		(28,173)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (14,809)

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

Delinquent Property taxes	60,385	
Municipal Income taxes	136,763	
Special assessments	(1,053,612)	
Intergovernmental	(162,129)	
Charges for services	1,022,378	
Total		3,785

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. 685,946

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

Pension		1,052,272
OPEB		20,247

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

Pension		(730,805)
OPEB		1,128,707

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	122,052	
Amortization of bond premiums	1,861	
Accrued Interest	5,816	
Total		129,729

Change in Net Position of Governmental Activities \$ 2,841,473

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$ 1,068,773	\$ 1,068,773	\$ 930,682	\$ (138,091)
Municipal Income Taxes	6,366,380	7,526,487	7,845,330	318,843
Other Taxes	4,918	5,814	6,060	246
Intergovernmental	330,829	391,114	407,683	16,569
Interest	4,227	4,997	5,209	212
Fees, Licenses and Permits	413,032	488,296	508,982	20,686
Fines and Forfeitures	58,679	69,371	72,310	2,939
Rentals	17,715	20,943	21,830	887
Charges for Services	482,224	570,097	594,248	24,151
Contributions and Donations	4,815	5,692	5,933	241
All Other Revenues	110,936	131,153	136,708	5,555
Total Revenues	8,862,528	10,282,737	10,534,975	252,238
Expenditures				
Current:				
Security of Persons & Property	4,084,074	4,099,074	3,747,568	351,506
Transportation	1,761,471	1,775,471	1,698,018	77,453
Leisure Time Activities	149,497	151,497	99,313	52,184
Community Environment	460,528	480,528	441,652	38,876
General Government	2,679,000	2,795,663	2,507,594	288,069
Total Expenditures	9,134,570	9,302,233	8,494,145	808,088
Excess of Revenues Over (Under) Expenditures	(272,042)	980,504	2,040,830	1,060,326
Other Financing Sources (Uses)				
Sale of Capital Assets	2,359	2,789	2,907	118
Transfers In	200,000	200,000	200,000	-
Transfers Out	(1,675,000)	(1,675,000)	(1,675,000)	-
Total Other Financing Sources (Uses)	(1,472,641)	(1,472,211)	(1,472,093)	118
Net Change in Fund Balance	(1,744,683)	(491,707)	568,737	1,060,444
Fund Balance - Beginning of Year	5,597,950	5,597,950	5,597,950	-
Prior Year Encumbrances Appropriated	185,915	185,915	185,915	-
Fund Balance - End of Year	\$ 4,039,182	\$ 5,292,158	\$ 6,352,602	\$ 1,060,444

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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$ 2,088,984	\$ 1,153,603	\$ 1,344,071	\$ 190,468
Intergovernmental	386,835	429,422	248,893	(180,529)
All Other Revenues	64,920	42,671	41,770	(901)
Total Revenues	2,540,739	1,625,696	1,634,734	9,038
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,600,111	2,600,111	2,476,635	123,476
Total Expenditures	2,600,111	2,600,111	2,476,635	123,476
Net Change in Fund Balance	(59,372)	(974,415)	(841,901)	132,514
Fund Balance - Beginning of Year	1,112,497	1,112,497	1,112,497	-
Prior Year Encumbrances Appropriated	27,768	27,768	27,768	-
Fund Balance - End of Year	\$ 1,080,893	\$ 165,850	\$ 298,364	\$ 132,514

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, 2021**

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Richmond Heights (City) is a charter municipal corporation established and operates under the laws of the State of Ohio. The original charter became effective January 1, 1960 and provides for a mayor-council form of government. Elected officials include seven council members and a mayor.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Richmond Heights this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, recycling, and general administrative services.

Component units are legally separate organizations for which the City may be financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool, an insurance purchasing pool, a jointly governed organization, and a related organization. These organizations are presented in Notes 15, 16, 18 and 19 to the financial statements. These organizations are:

Shared Risk Pool: Northern Ohio Risk Management Association

Insurance Purchasing Pool: Ohio Association of Public Treasurers

Jointly Governed Organizations: Eastern Suburban Regional Council of Governments, Heights Hillcrest Communications Center, Northeast Ohio Public Energy Council, Suburban Water Regional Council of Governments

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The City does not maintain any proprietary funds.

Governmental Funds – Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources are reported as fund balance.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Fund Accounting (Continued)

Governmental Funds (Continued)

The following are the City's major governmental funds:

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

Fire Service Fund - The Fire Service Special Revenue Fund accounts for the accumulation of resources for, and the payment of expenditures relating to fire services.

Bond Retirement Fund - The Bond Retirement Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest.

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

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, 2021
(CONTINUED)

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

Measurement Focus (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.

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

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

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

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

Cash and Investments

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

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

During 2021, investments were limited to STAR Ohio.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Cash and Investments (Continued)

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

For 2021, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue credited to the General Fund during 2021 amounted to \$5,209, which includes \$1,961 assigned from other funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

Capital Assets (Continued)

Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$7,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Asset Class</u>	<u>Governmental Activities Estimated Useful Life</u>
Land Improvements	15 years
Buildings	4 years
Machinery and Equipment	10 years
Vehicles	7 years
Infrastructure	20-80 years

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Accrued Liabilities and Long-Term Obligations (Continued)

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

Pensions / Other Postemployment Benefits (OPEB)

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

Fund Balance

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

The classifications are as follows:

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Fund Balance (Continued)

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

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

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

Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$6,144,469 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Internal Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Internal Activity (Continued)

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Premium

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2021.

Estimates

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

Budgetary Process

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Budgetary Process (Continued)

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym *ACFR*. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Implementation Guide 2019-1, *Update*. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a part of restricted, committed, or assigned fund balance (GAAP).
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

	General	Fire Service
GAAP Basis	\$ 981,982	\$ (835,888)
Revenue Accruals	(281,946)	-
Expenditure Accruals	128,561	(197)
Funds with separate legally adopted budgets	(16,042)	-
Encumbrances (Budget Basis) outstanding at year end	(243,818)	(5,816)
Budget Basis	\$ 568,737	\$ (841,901)

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

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

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

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

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

At year end, the carrying amount of the City’s deposits was \$5,651,286, and the bank balance was \$6,306,823. \$250,000 of the City’s bank balance was covered by Federal Depository Insurance, \$4,386,130 was uninsured, and \$1,670,693 was uninsured and uncollateralized. The City’s financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance. The City also had \$325 in undeposited cash on hand, which is included on the statement of net position and balance as part of equity in pooled cash and cash equivalents.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The City’s financial institution had enrolled in OPCS as of December 31, 2021.

Investments

At December 31, 2021, the City had the following investments:

<u>Investment</u>	<u>Rating by Standard & Poor's</u>	<u>Level Input</u>	<u>Measurement Value</u>	<u>Investment Maturities (in years) <1</u>	<u>Percentage of Total Investments</u>
STAR Ohio	Aam	N/A	\$ 7,300,466	\$ 7,300,466	100.00%
			<u>\$ 7,300,466</u>	<u>\$ 7,300,466</u>	<u>100.00%</u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Investments (Continued)

STAR Ohio is measured at net asset value per share.

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

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

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

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

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2021, 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 \$2,261,804 in the Bond Retirement Fund and \$5,281 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 2021 for real and public utility property taxes represents collections of the 2020 taxes. Property tax payments received during 2021 for tangible personal property (other than public utility property) are for 2021 taxes.

2021 real property taxes are levied after October 1, 2021 on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 6: **RECEIVABLES** (Continued)

Property Taxes (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021 was \$17.10 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Estate	\$ 241,788,710	98.08 %
Public Utility	4,739,400	1.92
Total	<u>\$ 246,528,110</u>	<u>100.00 %</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2021 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 2021 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

Income Tax

The City levies a municipal income tax of 2.25 percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent up to 1.25 percent of income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds may be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City. In 2021, the proceeds were allocated one hundred percent to the General Fund.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

NOTE 6: **RECEIVABLES** (Continued)

Intergovernmental Receivables

A summary of the intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 113,001
Homestead and Rollback	185,315
Gasoline and Auto Registration tax	283,000
Permissive tax	1,850
Grants	89,236
Miscellaneous	2,561
Total	\$ 674,963

NOTE 7: **INTERFUND TRANSFERS AND BALANCES**

Interfund Transfers

Interfund transfers for the year ended December 31, 2021 consisted of the following:

Transfers To	Transfers From General Fund
Nonmajor Governmental Funds	\$ 1,450,000
Total	\$ 1,450,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the General Fund to Nonmajor Governmental Funds were to fund operations. Transfers between governmental funds are eliminated on the governmental activities' statement of activities.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 8: FUND BALANCES

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

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

Fund Balances	General	Fire Service	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepaid Items	\$ 336,201	\$ 26,297	\$ -	\$ 131,886	\$ 494,384
Inventories	8,036	7,383	-	8,544	23,963
<i>Total Nonspendable</i>	<u>344,237</u>	<u>33,680</u>	<u>-</u>	<u>140,430</u>	<u>518,347</u>
<i>Restricted for</i>					
Streets and Highways	-	-	-	1,104,654	1,104,654
Fire Service	-	263,729	-	-	263,729
Fire Pension	-	-	-	118,190	118,190
Other Law Enforcement	-	-	-	67,658	67,658
Community	-	-	-	25,330	25,330
Recycling	-	-	-	12,533	12,533
ARPA	-	-	-	189	189
School Safety Training	-	-	-	3,000	3,000
Capital	-	-	-	1,285,287	1,285,287
Bond Retirement	-	-	597,427	-	597,427
<i>Total Restricted</i>	<u>-</u>	<u>263,729</u>	<u>597,427</u>	<u>2,616,841</u>	<u>3,477,997</u>
<i>Committed to</i>					
Recreation	-	-	-	66,798	66,798
Rescue Squad	-	-	-	1,098,600	1,098,600
City Beautification	-	-	-	729	729
Professional Services	-	-	-	105,825	105,825
Zoning	-	-	-	33,695	33,695
Other Purposes	443,462	-	-	-	443,462
<i>Total Committed</i>	<u>443,462</u>	<u>-</u>	<u>-</u>	<u>1,305,647</u>	<u>1,749,109</u>
<i>Assigned to</i>					
Purchases on Order:					
Security of Persons and Property	63,346	-	-	-	63,346
Leisure Time Activities	20	-	-	-	20
Community Environment	4,443	-	-	-	4,443
Transportation	414	-	-	-	414
General Government	34,046	-	-	-	34,046
Fiscal Year 2022 Appropriations	436,203	-	-	-	436,203
<i>Total Assigned</i>	<u>538,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,472</u>
<i>Unassigned</i>	6,783,069	-	-	(2,832)	6,780,237
Total Fund Balances	<u><u>\$ 8,109,240</u></u>	<u><u>\$ 297,409</u></u>	<u><u>\$ 597,427</u></u>	<u><u>\$ 4,060,086</u></u>	<u><u>\$13,064,162</u></u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 9: **CONTINGENCIES**

Grants

For the period January 1, 2021 to December 31, 2021, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

Litigation

The City is a party to legal proceedings seeking damages. The City's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 10: **COMPENSATED ABSENCES**

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

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for one third of accumulated unused sick leave, not to exceed a maximum of 960 hours.

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CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 11: CAPITAL ASSETS

	Balance 1/1/2021	Additions	Disposals	Balance 12/31/2021
<u>Governmental Activities</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,880,252	\$ -	\$ -	\$ 2,880,252
Construction in Progress	12,079	407,101	-	419,180
Total Capital Assets Not Being Depreciated	<u>2,892,331</u>	<u>407,101</u>	<u>-</u>	<u>3,299,432</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	758,177	-	-	758,177
Buildings	13,223,367	-	-	13,223,367
Machinery and Equipment	1,047,178	195,531	-	1,242,709
Vehicles	2,710,835	296,420	(52,711)	2,954,544
Infrastructures:				
Roads	4,290,113	-	-	4,290,113
Sanitary Sewers	6,284,513	-	-	6,284,513
Water Mains	1,750,830	-	-	1,750,830
Total Capital Assets Being Depreciated	<u>30,065,013</u>	<u>491,951</u>	<u>(52,711)</u>	<u>30,504,253</u>
Less Accumulated Depreciation:				
Land Improvements	(368,081)	(38,966)	-	(407,047)
Buildings	(5,586,492)	(321,545)	-	(5,908,037)
Machinery and Equipment	(750,950)	(84,113)	-	(835,063)
Vehicles	(2,165,866)	(148,706)	37,902	(2,276,670)
Infrastructures:				
Roads	(731,558)	(133,011)	-	(864,569)
Sanitary Sewers	(2,352,808)	(157,113)	-	(2,509,921)
Water Mains	(572,899)	(43,771)	-	(616,670)
Total Accumulated Depreciation	<u>(12,528,654)</u>	<u>(927,225) *</u>	<u>37,902</u>	<u>(13,417,977)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>17,536,359</u>	<u>(435,274)</u>	<u>(14,809)</u>	<u>17,086,276</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,428,690</u>	<u>\$ (28,173)</u>	<u>\$ (14,809)</u>	<u>\$ 20,385,708</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 74,202
Security of Persons and Property	351,312
Community Environment	368,623
Leisure Time Activities	36,284
Transportation	96,804
Total Depreciation Expense	<u>\$ 927,225</u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

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

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

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

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

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

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

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

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

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

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan will no longer be available for new hires beginning in 2022.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

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

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2021 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2021. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$264,274 for 2021. Of this amount, \$20,305 is reported as an intergovernmental payable.

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

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

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

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

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

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

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$787,998 for 2021. Of this amount, \$59,009 is reported as an intergovernmental payable.

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

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

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability - Prior Measurement Date	0.011914%	0.074523%	0.076535%	
Proportion of the Net Pension Liability - Current Measurement Date	0.012116%	0.071790%	0.076140%	
Change in Proportionate Share	<u>0.000202%</u>	<u>-0.002733%</u>	<u>-0.000395%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,794,116	\$ 4,894,009	\$ 5,190,525	\$ 11,878,650
Pension Expense	\$ (70,909)	\$ 469,576	\$ 332,138	\$ 730,805

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ -	\$ 204,589	\$ 216,981	\$ 421,570
Changes of assumptions	-	82,073	87,046	169,119
Changes in proportion and differences between City contributions and proportionate share of contributions	27,505	236,509	5,274	269,288
City contributions subsequent to the measurement date	<u>264,274</u>	<u>372,806</u>	<u>415,192</u>	<u>1,052,272</u>
Total Deferred Outflows of Resources	<u>\$ 291,779</u>	<u>\$ 895,977</u>	<u>\$ 724,493</u>	<u>\$ 1,912,249</u>
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 699,291	\$ 237,390	\$ 251,773	\$ 1,188,454
Differences between expected and actual experience	75,048	190,653	202,207	467,908
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>29,425</u>	<u>213,285</u>	<u>207,952</u>	<u>450,662</u>
Total Deferred Inflows of Resources	<u>\$ 803,764</u>	<u>\$ 641,328</u>	<u>\$ 661,932</u>	<u>\$ 2,107,024</u>

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

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

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

\$1,052,272 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS			Total
	Traditional Pension Plan	OP&F Police	OP&F Fire	
Year Ending December 31:				
2022	\$ (306,381)	\$ 57,332	\$ (99,751)	\$ (348,800)
2023	(89,449)	142,352	36,766	89,669
2024	(285,054)	(245,707)	(259,236)	(789,997)
2025	(95,375)	(63,847)	(28,207)	(187,429)
2026	-	(8,287)	(2,203)	(10,490)
Total	<u>\$ (776,259)</u>	<u>\$ (118,157)</u>	<u>(\$352,631)</u>	<u>(\$1,247,047)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

Actuarial Assumptions – OPERS (Continued)

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7 percent for 2020.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table on the next page displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	5.43 %

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

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

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability	\$ 3,422,285	\$ 1,794,116	\$ 440,295

Changes Between Measurement Date and Report Date Cost-of living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2020, are presented below:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2020, are summarized on the following page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	21.00 %	5.40 %
International Equity	14.00	5.80
Core Fixed Income *	23.00	2.70
U.S. Inflation Linked Bonds *	17.00	2.50
High Yield Fixed Income	7.00	4.70
Private Real Estate	12.00	6.40
Private Markets	8.00	8.00
Midstream Energy Infrastructure	5.00	6.60
Private Credit	5.00	5.50
Real Assets	8.00	7.40
Gold	5.00	1.90
Total	<u>125.00 %</u>	

Note: Assumptions are geometric
* levered 2x

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 14,038,964	\$ 10,084,534	\$ 6,775,076

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability/Asset

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

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

Net OPEB Liability (Continued)

Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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

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

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,602 for 2021.

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

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

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

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

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The City's contractually required contribution to OP&F was \$18,645 for 2021. Of this amount, \$1,393 is reported as an intergovernmental payable.

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

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020.

CITY OF RICHMOND HEIGHTS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.011383%	0.151058%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.011520%</u>	<u>0.147930%</u>	
Change in Proportionate Share	<u>0.000137%</u>	<u>-0.003128%</u>	
Proportionate Share of the Net OPEB			
Liability (Asset)	\$ (205,238)	\$ 1,567,345	\$ 1,362,107
OPEB Expense	\$ (1,305,295)	\$ 176,588	\$ (1,128,707)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of assumptions	\$ 100,896	\$ 865,873	\$ 966,769
Changes in proportion and differences between City contributions and proportionate share of contributions	10,267	151,821	162,088
City contributions subsequent to the measurement date	<u>1,602</u>	<u>18,645</u>	<u>20,247</u>
Total Deferred Outflows of Resources	<u>\$ 112,765</u>	<u>\$ 1,036,339</u>	<u>\$ 1,149,104</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 185,227	\$ 258,528	\$ 443,755
Changes of assumptions	332,547	249,864	582,411
Net difference between projected and actual earnings on OPEB plan investments	109,313	58,246	167,559
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>19,790</u>	<u>37,736</u>	<u>57,526</u>
Total Deferred Inflows of Resources	<u>\$ 646,877</u>	<u>\$ 604,374</u>	<u>\$ 1,251,251</u>

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

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

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

\$20,247 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2022	\$ (288,230)	\$ 93,915	\$ (194,315)
2023	(187,098)	107,707	(79,391)
2024	(47,504)	85,960	38,456
2025	(12,882)	88,397	75,515
2026	-	19,902	19,902
Thereafter	-	17,439	17,439
Total	<u>\$ (535,714)</u>	<u>\$ 413,320</u>	<u>\$ (122,394)</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

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

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

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.50 percent for 2020.

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

**CITY OF RICHMOND HEIGHTS
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(CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	4.43 %

Discount Rate – A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 2.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate –

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
City's proportionate share of the net OPEB asset	\$ (51,034)	\$ (205,238)	\$ (332,006)

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ (210,240)	\$ (205,238)	\$ (199,642)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future.

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

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2020, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	21.00 %	5.40 %
Non-US Equity	14.00	5.80
Core Fixed Income *	23.00	2.70
U.S. Inflation Linked Bonds *	17.00	2.50
High Yield Fixed Income	7.00	4.70
Private Real Estate	12.00	6.40
Private Markets	8.00	8.00
Midstream Energy Infrastructure	5.00	6.60
Private Credit	5.00	5.50
Real Assets	8.00	7.40
Gold	5.00	1.90
Total	<u>125.00 %</u>	

Note: Assumptions are geometric

* levered 2x

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes in core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

Discount Rate – The total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$ 1,954,390	\$ 1,567,345	\$ 1,248,078

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Net OPEB liability is not sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

NOTE 14: **RISK MANAGEMENT**

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund (See Note 15). The City pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is paid from the General Fund.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 14: **RISK MANAGEMENT** (Continued)

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

Workers' Compensation

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

Employee Insurance Benefits

The City provides medical and prescription drug benefits through Anthem Blue Cross and Blue Shield, dental benefits through Delta Dental of Ohio and vision benefits through Lincoln Financial for all full-time employees. Monthly premium payments are made from the General and Fire Service funds. The expenses are allocated by the number of employees in each department multiplied by the fixed premium rate for each employee. The monthly premiums for all benefits are \$1,712 for family coverage, \$1,279 for an employee plus one additional person and \$628 for single coverage.

NOTE 15: **SHARED RISK POOL**

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

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, the City of University Heights, whose commencement date is October 1, 2008, and the City of Beachwood, whose commencement date is October 1, 2017. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. The self-insurance pool will pay up to \$1,295,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2021, the City of Richmond Heights paid \$87,506 in premiums from the General Fund. The City also paid \$38,286 in loss fund contributions. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Hudson, 115 Executive Pkwy, Hudson, Ohio 44236.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

NOTE 16: INSURANCE PURCHASING POOL

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

NOTE 17: LONG-TERM OBLIGATIONS

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

	Original Issue Date	Interest Rate (%)	Original Issue Amount	Date of Maturity
General Obligation				
Various Purpose - 2007	2007	3.75 - 4.0	\$ 4,125,000	December 1, 2021
OWDA Loans				
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				
Skyline-Glen Oval Waterline and Pavement	2010	0.00	743,411	January 1, 2030
Intergovernmental Payable				
City of Highland Heights	2002	0.00	190,923	January 1, 2021

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

A schedule of changes in bonds and other long-term obligations of the City during 2021 follows:

	Principal Outstanding 1/1/2021	Additions	Deletions	Principal Outstanding 12/31/2021	Amounts Due in One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Various Purpose - 2007	\$ 305,000	\$ -	\$ (305,000)	\$ -	\$ -
Unamortized Premium	1,861	-	(1,861)	-	-
Total General Obligation Bonds	306,861	-	(306,861)	-	-
<u>OWDA Loans- Direct Borrowings</u>					
Highland Road - Meadowlane	22,818	-	(22,818)	-	-
Richmond Road	157,958	-	(61,359)	96,599	63,776
Sunset/Skyline Sewer Construction	242,230	-	(66,158)	176,072	68,554
Dunbarton/Cary Jay - Construction	165,019	-	(34,532)	130,487	35,720
Richmond Road et al Sewers	395,913	-	(66,710)	329,203	68,963
Richmond Road and Side Streets	811,853	-	(90,406)	721,447	93,368
Total OWDA Loans	1,795,791	-	(341,983)	1,453,808	330,381
<u>OPWC Loan- Direct Borrowing</u>					
Skyline-Glen Oval Waterline and Pavement	371,702	-	(37,170)	334,532	37,170
Total OPWC Loan	371,702	-	(37,170)	334,532	37,170
<u>Net Pension Liability</u>					
OPERS	2,354,883	-	(560,767)	1,794,116	-
OP&F	10,176,082	-	(91,548)	10,084,534	-
Total Net Pension Liability	12,530,965	-	(652,315)	11,878,650	-
<u>Net OPEB Liability</u>					
OPERS	1,572,288	-	(1,572,288)	-	-
OP&F	1,492,111	75,234	-	1,567,345	-
Total Net OPEB Liability	3,064,399	75,234	(1,572,288)	1,567,345	-
<u>Other Long-term Liabilities</u>					
City of Highland Heights	163	-	(163)	-	-
Police Pension Liability	31,787	-	(1,630)	30,157	1,700
Compensated Absences	1,126,661	120,037	(242,089)	1,004,609	199,333
Total Other Long-term Liabilities	1,158,611	120,037	(243,882)	1,034,766	201,033
Total Governmental Long-Term Liabilities	\$ 19,228,329	\$ 195,271	\$ (3,154,499)	\$ 16,269,101	\$ 568,584

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

General obligation bonds are the direct obligation of the City and will be paid from the Bond Retirement Debt Service Fund using property tax revenues.

The OWDA loans are being paid from the Bond Retirement Debt Service Fund. The City also entered into contractual agreements for new construction and design loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. OWDA loans will be paid with Special Assessment revenue.

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

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

During 2002, the City entered into a contractual agreement with the City of Highland Heights for the construction of sanitary sewer lines on Highland Road. Richmond Heights is responsible for the portion of the lines that run through the City. The project was financed by a loan from the Ohio Public Works Commission in the name of the City of Highland Heights.

In 2009, the City defeased a 2001 law enforcement general obligation bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As of December 31, 2020, the defeased bonds have been paid in full.

The police pension liability will be paid from property tax revenue in the Police Pension Fund. The compensated absences will be paid from the General and Fire Service funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, the Street Construction Fund, the Police Pension Fund, the Fire Pension Fund, and the Rescue Squad Fund. See Note 12 and 13 for additional information related to the net pension liability and net OPEB liability.

The City's overall legal debt margin was \$26,482,879 at December 31, 2021. The unvoted legal debt margin was \$14,156,473.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

Principal and interest requirements to retire the general obligation bonds, OWDA loans, OPWC loans, intergovernmental payable, and the police pension liability as of December 31, 2021, are as follows:

OWDA Loans		OPWC	
Principal	Interest	Principal	
\$ 330,381	\$ 41,158	\$ 37,170	
308,529	31,160	37,170	
247,985	22,326	37,170	
198,640	15,382	37,170	
145,275	9,672	37,170	
222,998	8,430	148,682	
\$ 1,453,808	\$ 128,128	\$ 334,532	

Police Pension		Total	
Principal	Interest	Principal	Interest
\$ 1,700,000	\$ 1,262	\$ 369,251	\$ 42,420
1,773	1,189	347,472	32,349
1,850	1,113	287,005	23,439
1,929	1,034	237,739	16,416
2,012	951	184,457	10,623
11,432	3,382	383,112	11,812
9,461	810	9,461	810
\$ 30,157	\$ 9,741	\$ 1,818,497	\$ 137,869

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 18: JOINTLY GOVERNED ORGANIZATION

Eastern Suburban Regional Council of Governments

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

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

In 2021, the City contributed \$23,000. Financial information can be obtained from Joseph Filippo, Finance Director, City of Highland Heights, at 5827 Highland Road, Highland Heights, Ohio 44143, who serves as fiscal agent.

Heights Hillcrest Communications Center

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

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of over 240 communities from 17 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities. The City participates in NOPEC's gas energy aggregation program.

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 18: **JOINTLY GOVERNED ORGANIZATION** (Continued)

Northeast Ohio Public Energy Council (Continued)

The representatives from each county then elect one person to serve on the seventeen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not make any payments to NOPEC during 2021. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139.

Suburban Water Regional Council of Governments

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

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

NOTE 19: **RELATED ORGANIZATION**

The City established an independent organization called the Greenwood Farms Historical, Cultural, and Arts Association to facilitate the programming of a historical property on Richmond Road the City acquired. This property is known as the Greenwood Farm or the Phyper property. The Association is governed by a Board of Directors. The City appoints all Board members for the Association. The Association will lease the property from the City, determine programming, and facilitate the necessary repairs and renovations to the property needed to provide that programming. The programming and property upkeep are separate from City operations.

In 2021, the City contributed \$4,791. Financial information can be obtained from the Association, Fred Cash, President, 26789 Highland Road, Richmond Heights, Ohio, 44143.

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

NOTE 20: OTHER SIGNIFICANT COMMITMENTS

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

Fund	Encumbrances Outstanding
General Fund	\$ 102,269
Fire Service Fund	1,966
Nonmajor Governmental Funds	756,405
Total	\$ 860,640

NOTE 21: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 22: SUBSEQUENT EVENT

On August 12, 2022, the City lost one of its largest income tax withholders due to downsizing of their business. The downsize will result in a substantial income tax loss. The actual financial impact to the City, including losses in tax revenue from surrounding businesses, is unknown. The City plans to meet with other companies and organizations to potentially offset some of the income loss, as well as monitor expenditures closely.

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

Traditional Plan	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.012116%	0.011914%	0.012537%	0.013815%	0.013393%	0.014554%	0.011797%	0.011797%
City's Proportionate Share of the Net Pension Liability	\$ 1,794,116	\$ 2,354,883	\$ 3,433,630	\$ 2,167,306	\$ 3,041,323	\$ 2,520,936	\$ 1,422,850	\$ 1,390,713
City's Covered Payroll	\$ 1,706,514	\$ 1,676,314	\$ 1,693,314	\$ 1,835,154	\$ 1,732,867	\$ 1,674,792	\$ 1,583,675	\$ 1,480,869
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.13%	140.48%	202.78%	118.10%	175.51%	150.52%	89.84%	93.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

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

Police	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0717903%	0.0745229%	0.0759889%	0.0722310%	0.0665650%	0.0640633%	0.0622547%	0.0622547%
City's Proportionate Share of the Net Pension Liability	\$ 4,894,009	\$ 5,020,260	\$ 6,202,699	\$ 4,433,157	\$ 4,216,166	\$ 4,121,234	\$ 3,225,053	\$ 3,031,999
City's Covered Payroll	\$ 1,983,174	\$ 1,971,489	\$ 1,919,084	\$ 1,753,058	\$ 1,544,737	\$ 1,451,679	\$ 1,372,358	\$ 1,268,436
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	246.78%	254.64%	323.21%	252.88%	272.94%	283.89%	235.00%	239.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
Fire	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0761399%	0.0765352%	0.0784521%	0.0816620%	0.0815050%	0.0844897%	0.0833731%	0.0833731%
City's Proportionate Share of the Net Pension Liability	\$ 5,190,525	\$ 5,155,822	\$ 6,403,760	\$ 5,011,988	\$ 5,162,446	\$ 5,435,282	\$ 4,319,075	\$ 4,060,532
City's Covered Payroll	\$ 1,695,996	\$ 1,646,038	\$ 1,611,796	\$ 1,610,332	\$ 1,531,553	\$ 1,549,830	\$ 1,496,702	\$ 1,459,624
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	306.05%	313.23%	397.31%	311.24%	337.07%	350.70%	288.57%	278.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 264,274	\$ 238,912	\$ 234,684	\$ 237,064	\$ 238,570	\$ 207,944	\$ 200,975	\$ 190,041	\$ 192,513
Contributions in Relation to the Contractually Required Contribution	<u>(264,274)</u>	<u>(238,912)</u>	<u>(234,684)</u>	<u>(237,064)</u>	<u>(238,570)</u>	<u>(207,944)</u>	<u>(200,975)</u>	<u>(190,041)</u>	<u>(192,513)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,887,671	\$ 1,706,514	\$ 1,676,314	\$ 1,693,314	\$ 1,835,154	\$ 1,732,867	\$ 1,674,792	\$ 1,583,675	\$ 1,480,869
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Contractually Required Contributions</u>										
Police	\$ 372,806	\$ 376,803	\$ 374,583	\$ 364,626	\$ 333,081	\$ 293,500	\$ 275,819	\$ 260,748	\$ 199,525	\$ 161,979
Fire	<u>415,192</u>	<u>398,559</u>	<u>386,819</u>	<u>378,772</u>	<u>378,428</u>	<u>359,915</u>	<u>364,210</u>	<u>351,725</u>	<u>295,282</u>	<u>253,951</u>
Total Required Contributions	\$ 787,998	\$ 775,362	\$ 761,402	\$ 743,398	\$ 711,509	\$ 653,415	\$ 640,029	\$ 612,473	\$ 494,807	\$ 415,930
Contributions in Relation to the Contractually Required Contribution	<u>(787,998)</u>	<u>(775,362)</u>	<u>(761,402)</u>	<u>(743,398)</u>	<u>(711,509)</u>	<u>(653,415)</u>	<u>(640,029)</u>	<u>(612,473)</u>	<u>(494,807)</u>	<u>(415,930)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll										
Police	\$ 1,962,137	\$ 1,983,174	\$ 1,971,489	\$ 1,919,084	\$ 1,753,058	\$ 1,544,737	\$ 1,451,679	\$ 1,372,358	\$ 1,268,436	\$ 1,270,424
Fire	\$ 1,766,774	\$ 1,695,996	\$ 1,646,038	\$ 1,611,796	\$ 1,610,332	\$ 1,531,553	\$ 1,549,830	\$ 1,496,702	\$ 1,459,624	\$ 1,472,180
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%

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

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability/Asset	0.011520%	0.011383%	0.011967%	0.013170%	0.012810%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (205,238)	\$ 1,572,288	\$ 1,560,214	\$ 1,430,165	\$ 1,293,854
City's Covered Payroll	\$ 1,742,271	\$ 1,719,779	\$ 1,735,762	\$ 1,865,068	\$ 1,770,231
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-11.78%	91.42%	89.89%	76.68%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	115.57%	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1479302%	0.1510581%	0.1544410%	0.1538940%	0.1480700%
City's Proportionate Share of the Net OPEB Liability	\$ 1,567,345	\$ 1,492,111	\$ 1,406,421	\$ 8,719,395	\$ 7,028,550
City's Covered Payroll	\$ 3,679,170	\$ 3,617,527	\$ 3,530,880	\$ 3,363,390	\$ 3,076,290
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.60%	41.25%	39.83%	259.24%	228.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.08%	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,602	\$ 747	\$ 1,066	\$ 1,038	\$ 19,269	\$ 35,873	\$ 36,578
Contributions in Relation to the Contractually Required Contribution	<u>(1,602)</u>	<u>(747)</u>	<u>(1,066)</u>	<u>(1,038)</u>	<u>(19,269)</u>	<u>(35,873)</u>	<u>(36,578)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,945,100	\$ 1,742,271	\$ 1,719,779	\$ 1,735,762	\$ 1,865,068	\$ 1,770,231	\$ 1,837,713
Contributions as a Percentage of Covered Payroll	0.08%	0.04%	0.06%	0.06%	1.03%	2.03%	1.99%

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

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 18,645	\$ 18,396	\$ 18,087	\$ 17,654	\$ 16,817	\$ 15,953	\$ 14,924	\$ 14,297	\$ 97,301	\$ 185,126
Contributions in Relation to the Contractually Required Contribution	<u>(18,645)</u>	<u>(18,396)</u>	<u>(18,087)</u>	<u>(17,654)</u>	<u>(16,817)</u>	<u>(15,953)</u>	<u>(14,924)</u>	<u>(14,297)</u>	<u>(97,301)</u>	<u>(185,126)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,728,911	\$ 3,679,170	\$ 3,617,527	\$ 3,530,880	\$ 3,363,390	\$ 3,076,290	\$ 3,001,509	\$ 2,869,060	\$ 2,728,060	\$ 2,742,604
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

See accompanying notes to the required supplementary information

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2021.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2021. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96.

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 19, 2023

OHIO AUDITOR OF STATE KEITH FABER



CITY OF RICHMOND HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/9/2023

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

This report is a matter of public record and is available online at
www.ohioauditor.gov