



Dave Yost • Auditor of State

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund.....	19
Fire Service Fund	20
Statement of Fiduciary Assets and Liabilities Agency Funds.....	21
Notes to the Basic Financial Statements.....	23
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System	63
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Police and Fire Pension Fund.....	64
Schedule of the City's Contributions – Ohio Public Employees Retirement System.....	65
Schedule of the City's Contributions – Ohio Police and Fire Pension Fund.....	66
Notes to the Required Supplementary Information.....	67

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2017

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Schedule of Findings.....	71
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	72



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, Ohio, as of December 31, 2017, and the respective changes in financial position and budgetary comparisons for the General and Fire Service Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2018

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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, 2017. 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 2017 are as follows:

- In total, net position in governmental activities decreased by \$155,646 during 2017. This represents a 1 percent decrease from 2016.
- 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 \$17,739,378.
- City income tax revenue totaled \$6,486,396.

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 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

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

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

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

Reporting the City of Richmond Heights' Most Significant Funds

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Richmond Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental funds and fiduciary funds. The presentation of the City's major funds begins on page 15. Fund financial 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
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 UNAUDITED**

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

The City of Richmond Heights as a Whole

Recall that the Statement of Net Position pictures the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

Table 1 - Net Position

	Governmental Activities	
	2017	2016
<u>Assets</u>		
Current and Other Assets	\$ 17,860,630	\$ 19,121,641
Capital Assets, Net	20,432,899	20,685,696
Total Assets	38,293,529	39,807,337
<u>Deferred Outflows of Resources</u>		
Pension	3,128,173	3,501,895
<u>Liabilities</u>		
Current and Other Liabilities	747,267	537,998
Long-term Liabilities	19,616,129	21,717,824
Total Liabilities	20,363,396	22,255,822
<u>Deferred Inflows of Resources</u>		
Property Taxes	3,034,375	3,079,945
Deferred Charges on Refunding	2,173	2,898
Pension	282,380	75,543
Total Deferred Inflows of Resources	3,318,928	3,158,386
<u>Net Position</u>		
Net Investment in Capital Assets	14,309,680	11,944,262
Restricted	7,584,878	8,457,629
Unrestricted	(4,155,180)	(2,506,867)
Total Net Position	\$ 17,739,378	\$ 17,895,024

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Richmond Heights, assets exceeded liabilities and deferred inflows of resources by \$17,739,378 at year end. The City's net investment in capital assets accounts for 81 percent of total net position. 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.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The City has adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the standards required by GASB 68, the net pension liability equals the City’s proportionate share of each plan’s collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 UNAUDITED**

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

Table 2 shows the changes in net position for the year ended December 31, 2017 compared to 2016.

	Table 2 - Change in Net Position	
	Governmental Activities	
	2017	2016
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 1,460,189	\$ 1,436,122
Operating Grants and Contributions	453,764	574,548
Capital Grants and Contributions	173,880	233,920
General Revenues:		
Property Taxes	3,228,090	3,169,417
Income Taxes	6,486,396	5,735,779
Other Taxes	68,823	81,620
Grants and Entitlements	624,929	625,233
Gain on Sale of Capital Assets	-	27,144
Miscellaneous	216,891	135,941
Total Revenues	12,712,962	12,019,724
<u>Program Expenses</u>		
Security of Persons and Property	7,298,452	6,542,671
Leisure Time Activities	219,871	195,321
Community Environment	709,041	653,275
Transportation	2,574,889	1,823,843
General Government	1,853,449	1,704,509
Interest and Fiscal Charges	212,906	260,099
Total Program Expenses	12,868,608	11,179,718
<i>Change in Net Position</i>	(155,646)	840,006
Net Position, Beginning of Year	17,895,024	17,055,018
Net Position, End of Year	\$ 17,739,378	\$ 17,895,024

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the largest contributor. The City's income tax rate increased from 2 percent to 2.25 percent on gross income effective July 1, 2013.

Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax, up to a credit limit of 1.25 percent. The City's tax credit limit decreased from 2.25 percent to 1.25 percent in 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 \$6,486,396 in 2017. This represents an increase of 13% from 2016, due to the change in the withholding credit limit.

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.

Program revenues for Operating Grants and Contributions decreased by 21% in 2017 due to reductions in donations and Fire Service grants.

Security of persons and property and transportation are two major activities of the City, generating 77 percent of the governmental expenses. Currently there are 22 full-time sworn officers in the police department. During 2017, 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 1,995 calls for assistance, of which approximately 1,521 were for EMS and the remainder for fire and fire related incidents.

Transportation program expenses increased by 41% in 2017 due to an increase in Street Improvement projects for repair and resurfacing of various streets, and increased personnel costs. Overall program expenses increased by 15% due to increased personnel costs and GASB 68 pension expense.

The City's Funds

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$8,169,193. \$4,027,972 of the ending combined fund balance for 2017 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.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Information about the City's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (plus other financing sources) of \$15,876,264 and total expenditures (plus other financing uses) of \$17,068,330. The General Fund reflected a decrease of \$797,390, decreasing the beginning fund balance of \$5,889,221 to \$5,091,831.

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.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities	
	2017	2016
Land	\$ 2,900,846	\$ 2,900,846
Land Improvements	292,138	308,030
Buildings	7,854,107	8,070,928
Machinery and Equipment	452,256	336,088
Vehicles	893,580	695,937
Infrastructure	8,039,972	8,373,867
Total Capital Assets, Net	\$ 20,432,899	\$ 20,685,696

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 2017, the City purchased two marked police vehicles, and had outstanding purchase orders for one unmarked car and an SUV that were delivered in early 2018. The ambulance billing fund is available for purchasing EMS/Fire vehicles. One ambulance was purchased in 2017. The next major purchase scheduled is for a fire truck in 2020.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 UNAUDITED**

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 funds for maintenance of facilities are accumulated in the Building and Capital Improvement Funds. See Note 12 to the basic financial statements for additional information on the City's capital assets.

Debt

As of December 31, 2017, the City of Richmond Heights had the following debt outstanding:

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 2,394,999	\$ 3,379,999
OWDA Loans	3,065,871	3,519,712
OPWC Loan	464,629	501,800
Intergovernmental Payable	28,801	38,347
Long-Term Note	-	1,190,000
Police Pension	36,286	37,664
Capital Leases	92,056	9,712
Total Outstanding Debt	\$ 6,082,642	\$ 8,677,234

Long term debt decreased by 30% in 2017. This was mostly due to the City paying and not reissuing the \$1,190,000 bond anticipation note that matured in 2017. At December 31, 2017, the City's overall legal debt margin was \$23,116,912. More detailed information about the City's long-term liabilities is presented in Note 18 and Note 19 to the basic financial statements.

Current Financial Related Activities

While maintaining a positive General Fund balance, the City of Richmond Heights continues to cope with financial challenges resulting from the decline in real estate values and overall decline in the economy. In addition, the Auditor of State in its 2016 audit of the City identified a certain deficiency in internal control over financial reporting that is considered to be significant deficiency and other recommendations to management. Management is committed to correcting these deficiencies and providing the residents of the City of Richmond Heights with full disclosure of the financial position of the City. Also, see Note 4 to the basic financial statements for additional information on the City's accountability and compliance. The fund deficits identified in Note 4 are the result of outstanding advances from periods prior to 2009.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

All four of the City's collective bargaining agreements with unions will expire at the end of 2018. Negotiations were completed in 2017 for each of the unions and contained retroactive wage adjustments.

On September 1, 2017, the City joined the Heights-Hillcrest Communication Center, a regional collaboration by the communities of Cleveland Heights, Richmond Heights, Shaker Heights, South Euclid and University Heights, to provide police, fire and EMS dispatching to all five communities from one dispatch center. The City made the transition on February 28, 2018, closing its 24 hour dispatch center at the police department.

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the City's Total Net Position at December 31, 2017 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (OPERS & OP&F) collect, hold and distributes pensions to our employees, not the City of Richmond Heights. These calculations are as follows:

Total Net Position at December 31, 2017 (with GASB 68)	\$ 17,739,378
GASB 68 Calculations:	
Add: Deferred Inflows related to Pension	282,380
Net Pension Liability	12,419,935
Less: Deferred Outflows related to Pension	<u>(3,128,173)</u>
Total Net Position at December 31, 2017 (without GASB 68)	<u><u>\$ 27,313,520</u></u>

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, James Teknipp, 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, 2017**

	Governmental Activities
<u>ASSETS</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,106,298
Materials and Supplies Inventory	98,530
Accounts Receivable	180,270
Intergovernmental Receivable	512,891
Prepaid Items	298,048
Municipal Income Taxes Receivable	2,041,385
Property and Other Taxes Receivable	3,328,878
Special Assessments Receivable	4,294,330
Nondepreciable Capital Assets	2,900,846
Depreciable Capital Assets	17,532,053
Total Assets	38,293,529
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension	3,128,173
Total Deferred Outflows of Resources	3,128,173
 <u>LIABILITIES</u>	
Accounts Payable	331,834
Accrued Wages and Benefits	219,271
Intergovernmental Payable	128,779
Accrued Interest Payable	54,383
Retainage Payable	13,000
Long-term Liabilities:	
Due within one year	1,653,157
Due in more than one year:	
Net Pension Liability (See Note 13)	12,419,935
Other amounts due in more than one year	5,543,037
Total Liabilities	20,363,396
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Property Taxes	3,034,375
Deferral on Refunding	2,173
Pension	282,380
Total Deferred Inflows of Resources	3,318,928
 <u>NET POSITION</u>	
Net Investment in Capital Assets	14,309,680
Restricted for:	
Debt Services	4,255,676
Capital Projects	772,078
Street Construction, Maintenance and Repairs	920,869
Rescue Squad	1,054,491
Other Purposes	581,764
Unrestricted	(4,155,180)
Total Net Position	\$ 17,739,378

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, 2017**

<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>	<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
Security of Persons and Property	\$ 7,298,452	\$ 462,838	\$ 25,555	\$ -	\$ (6,810,059)
Leisure Time Activities	219,871	95,004	-	-	(124,867)
Community Environment	709,041	600,671	8,279	123,880	23,789
Transportation	2,574,889	45,685	414,455	-	(2,114,749)
General Government	1,853,449	255,991	5,475	50,000	(1,541,983)
Interest and Fiscal Charges	212,906	-	-	-	(212,906)
Total Governmental Activities	<u>\$ 12,868,608</u>	<u>\$ 1,460,189</u>	<u>\$ 453,764</u>	<u>\$ 173,880</u>	<u>(10,780,775)</u>
General Revenues:					
Property Taxes levied for:					
General Purposes					906,565
Debt Service Purpose					598,286
Other Purposes					1,723,239
Municipal Income Taxes levied for:					
General Purposes					6,486,396
Other Taxes					68,823
Grants & Entitlements not restricted to specific programs					624,929
All Other Revenues					216,891
Total General Revenues					<u>10,625,129</u>
Change in Net Position					(155,646)
Net Position - Beginning of Year					17,895,024
Net Position - End of Year					<u>\$ 17,739,378</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, 2017**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 3,819,232	\$ 231,806	\$ 376,272	\$ 2,678,988	\$ 7,106,298
Materials and Supplies Inventory	8,036	7,383	-	83,111	98,530
Accounts Receivable	23,429	-	-	156,841	180,270
Interfund Receivable	66,767	-	-	540,040	606,807
Intergovernmental Receivable	138,114	88,462	47,185	239,130	512,891
Prepaid Items	223,117	66,244	-	8,687	298,048
Municipal Income Taxes Receivable	2,041,385	-	-	-	2,041,385
Property and Other Taxes Receivable	979,695	1,346,146	653,118	349,919	3,328,878
Special Assessments Receivable	443,886	-	3,829,476	20,968	4,294,330
Total Assets	\$ 7,743,661	\$ 1,740,041	\$ 4,906,051	\$ 4,077,684	\$ 18,467,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 82,875	\$ 6,504	\$ -	\$ 242,455	\$ 331,834
Accrued Wages and Benefits	138,759	71,445	-	9,067	219,271
Intergovernmental Payable	28,915	1,464	-	98,400	128,779
Retainage Payable	-	-	-	13,000	13,000
Interfund Payable	-	290,000	-	316,807	606,807
Total Liabilities	250,549	369,413	-	679,729	1,299,691
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	889,066	1,229,747	595,992	319,570	3,034,375
Unavailable Revenue-Delinquent Property Taxes	83,904	116,399	57,126	30,349	287,778
Unavailable Revenue-Municipal Income Taxes	878,046	-	-	-	878,046
Unavailable Revenue-Special Assessments	443,886	-	3,829,476	20,968	4,294,330
Unavailable Revenue-Other	106,379	88,462	47,185	261,998	504,024
Total Deferred Inflows of Resources	2,401,281	1,434,608	4,529,779	632,885	8,998,553
FUND BALANCES					
Nonspendable	231,153	73,627	-	91,798	396,578
Restricted	-	-	376,272	1,801,422	2,177,694
Committed	407,996	-	-	1,158,953	1,566,949
Assigned	45,148	-	-	-	45,148
Unassigned (Deficits)	4,407,534	(137,607)	-	(287,103)	3,982,824
Total Fund Balances (Deficit)	5,091,831	(63,980)	376,272	2,765,070	8,169,193
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,743,661	\$ 1,740,041	\$ 4,906,051	\$ 4,077,684	\$ 18,467,437

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, 2017**

Total Governmental Funds Balance \$ 8,169,193

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 20,432,899

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

Delinquent Property taxes	\$	287,778	
Municipal Income taxes		878,046	
Special assessments		4,294,330	
Intergovernmental		403,466	
Charges for services		100,558	
Total			5,964,178

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (54,383)

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

Deferred Outflows - Pension		3,128,173	
Deferred Inflows - Pension		(282,380)	
Net Pension Liability		(12,419,935)	
Total			(9,574,142)

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

General Obligation Bonds Payable		(2,394,999)	
Unamortized Premiums		(74,690)	
Deferral on Refunding		(2,173)	
OWDA Loans Payable		(3,065,871)	
OPWC Loan Payable		(464,629)	
Intergovernmental Payable		(28,801)	
Police Pension Liability		(36,286)	
Capital Lease Payable		(92,056)	
Compensated Absences		(1,038,862)	
Total			(7,198,367)

Net Position of Governmental Activities \$ 17,739,378

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, 2017**

	General Fund	Fire Service	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Property Taxes	\$ 898,437	\$ 1,294,328	\$ 678,817	\$ 339,416	\$ 3,210,998
Municipal Income Taxes	6,349,885	-	-	-	6,349,885
Other Taxes	68,823	-	-	-	68,823
Intergovernmental	292,913	176,924	133,804	563,999	1,167,640
Fees, Licenses and Permits	354,915	-	-	-	354,915
Fines and Forfeitures	111,746	-	-	-	111,746
Rentals	63,997	-	-	106,602	170,599
Charges for Services	9,361	-	-	377,103	386,464
Contributions and Donations	5,075	-	-	400	5,475
Special Assessments	372,570	-	544,246	3,513	920,329
All Other Revenues	152,727	30,952	-	33,211	216,890
Total Revenues	8,680,449	1,502,204	1,356,867	1,424,244	12,963,764
<u>EXPENDITURES</u>					
Security of Persons and Property	3,326,707	2,124,257	-	785,809	6,236,773
Leisure Time Activities	124,343	-	-	63,888	188,231
Community Environment	314,784	-	-	4,766	319,550
Transportation	1,309,112	-	-	371,726	1,680,838
General Government	1,564,831	-	5,378	11,393	1,581,602
Capital Outlay	17,421	3,468	-	1,277,290	1,298,179
Debt Service:					
Principal Retirement	6,306	-	2,675,558	11,228	2,693,092
Interest and Fiscal Charges	335	-	254,145	1,585	256,065
Total Expenditures	6,663,839	2,127,725	2,935,081	2,527,685	14,254,330
Excess of Revenues Over (Under) Expenditures	2,016,610	(625,521)	(1,578,214)	(1,103,441)	(1,290,566)
<u>OTHER FINANCING SOURCES (USES)</u>					
Inception of Capital Lease	-	-	-	98,500	98,500
Transfers In	-	700,000	925,000	1,189,000	2,814,000
Transfers Out	(2,814,000)	-	-	-	(2,814,000)
Total Other Financing Sources (Uses)	(2,814,000)	700,000	925,000	1,287,500	98,500
Net Change in Fund Balances	(797,390)	74,479	(653,214)	184,059	(1,192,066)
Fund Balances - Beginning of Year	5,889,221	(138,459)	1,029,486	2,581,011	9,361,259
Fund Balances - End of Year	\$ 5,091,831	\$ (63,980)	\$ 376,272	\$ 2,765,070	\$ 8,169,193

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, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ (1,192,066)

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	\$	581,657	
Depreciation		(834,454)	
Total			(252,797)

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

Delinquent Property taxes		17,092	
Municipal Income taxes		136,511	
Special assessments		(421,158)	
Intergovernmental		(22,780)	
Charges for services		39,533	
Total			(250,802)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the inception of a Capital Lease. (98,500)

Repayment of debt principal and the intergovernmental payable are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 2,693,092

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 950,079

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,873,121)

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		(174,690)	
Amortization of bond premiums		24,276	
Amortization of Gain on Refunding		725	
Accrued Interest		18,158	
Total			(131,531)

Change in Net Position of Governmental Activities \$ (155,646)

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$ 985,783	\$ 898,437	\$ 898,437	\$ -
Municipal Income Taxes	6,053,880	6,100,000	6,236,904	136,904
Other Taxes	67,446	80,000	69,485	(10,515)
Intergovernmental	279,451	322,039	287,899	(34,140)
Fees, Licenses and Permits	344,856	432,512	355,282	(77,230)
Fines and Forfeitures	108,774	117,300	112,063	(5,237)
Rentals	61,537	59,400	63,397	3,997
Charges for Services	9,086	13,400	9,361	(4,039)
Contributions and Donations	4,926	2,400	5,075	2,675
Special Assessments	361,637	379,800	372,570	(7,230)
All Other Revenues	143,498	82,357	147,836	65,479
Total Revenues	8,420,874	8,487,645	8,558,309	70,664
<u>Expenditures</u>				
Current:				
Security of Persons & Property	3,456,758	3,611,758	3,439,875	171,883
Transportation	1,395,202	1,435,202	1,382,357	52,845
Leisure Time Activities	136,710	141,710	125,031	16,679
Community Environment	358,185	358,185	322,231	35,954
General Government	1,817,488	1,823,918	1,594,984	228,934
Total Expenditures	7,164,343	7,370,773	6,864,478	506,295
Excess of Revenues Over (Under) Expenditures	1,256,531	1,116,872	1,693,831	576,959
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	-	10,000	-	(10,000)
Transfers Out	(2,683,000)	(2,817,000)	(2,817,000)	-
Total Other Financings Sources (Uses)	(2,683,000)	(2,807,000)	(2,817,000)	(10,000)
Net Change in Fund Balance	(1,426,469)	(1,690,128)	(1,123,169)	566,959
Fund Balance - Beginning of Year	4,719,943	4,719,943	4,719,943	-
Prior Year Encumbrances Appropriated	70,999	70,999	70,999	-
Fund Balance - End of Year	\$ 3,364,473	\$ 3,100,814	\$ 3,667,773	\$ 566,959

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Property Taxes	\$ 1,162,180	\$ 1,282,234	\$ 1,294,328	\$ 12,094
Intergovernmental	158,860	175,271	176,924	1,653
All Other Revenues	27,792	30,663	30,952	289
Total Revenues	<u>1,348,832</u>	<u>1,488,168</u>	<u>1,502,204</u>	<u>14,036</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,201,454	2,250,454	2,191,594	58,860
Total Expenditures	<u>2,201,454</u>	<u>2,250,454</u>	<u>2,191,594</u>	<u>58,860</u>
Excess of Revenues Over (Under) Expenditures	<u>(852,622)</u>	<u>(762,286)</u>	<u>(689,390)</u>	<u>72,896</u>
<u>Other Financing Sources</u>				
Transfers In	700,000	700,000	700,000	-
Total Other Financings Sources	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Net Change in Fund Balance	(152,622)	(62,286)	10,610	72,896
Fund Balance - Beginning of Year	209,373	209,373	209,373	-
Prior Year Encumbrances Appropriated	1,674	1,674	1,674	-
Fund Balance - End of Year	<u>\$ 58,425</u>	<u>\$ 148,761</u>	<u>\$ 221,657</u>	<u>\$ 72,896</u>

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 363,449
Total Assets	<u>\$ 363,449</u>
Liabilities	
Deposits Held and Due to Others	\$ 363,449
Total Liabilities	<u>\$ 363,449</u>

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

Notes to the Basic Financial Statements

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

The City participates in a shared risk pool, an insurance purchasing pool, a jointly governed organization, and a related organization. These organizations are presented in Notes 16, 17, 20, and 21 to the financial statements. These organizations are:

Shared Risk Pool: Northern Ohio Risk Management Association

Insurance Purchasing Pool: Ohio Municipal League

Jointly Governed Organizations: Eastern Suburban Regional Council of Governments, 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.

Basis of Presentation

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Basis of Presentation (Continued)

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

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

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

Fund Accounting

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City only has agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors.

Measurement Focus

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Fund Financial Statements (continued)

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

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, and pension. 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, 2017, but which were levied to finance year 2018 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 Note 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 Cash Equivalents

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

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.

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

Inventory

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, 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). 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 and Business-Type Activities Estimated Useful Life</u>
Land Improvements	15 years
Buildings	40 years
Machinery and Equipment	10 years
Vehicles	7 years
Infrastructure	20-80 years

The City is a Phase III Government, as defined by GASB Statement No. 34, therefore the City has elected to record infrastructure as of January 1, 2003.

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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

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.

Pensions

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term loans and notes are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

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

The classifications are as follows:

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Fund Balance (Continued)

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

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

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

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

Net Position

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

The government-wide statement of net position reports \$7,584,878 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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Internal Activity (Continued)

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

Bond Premium

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

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 2017.

Estimates

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

Budgetary Process

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on City's beginning net position.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

Fund balances at December 31, 2017, included the following individual fund deficits:

Fund	Amount
<i>Special Revenue Funds</i>	
Fire Service	\$ 63,980
 <i>Capital Project Funds</i>	
Sewer Improvement	287,103
	\$ 351,083

The deficits in the Special Revenue Fund and Capital Project Fund are caused by the recognition of expenditure accruals on the modified accrual basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Fire Service
GAAP Basis	\$ (797,390)	\$ 74,479
Revenue Accruals	(121,001)	-
Expenditure Accruals	(114,600)	(53,720)
Funds with separate legally adopted budgets	23,880	-
Encumbrances (Budget Basis) outstanding at year end	(114,058)	(10,149)
Budget Basis	\$ (1,123,169)	\$ 10,610

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

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

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the carrying amount of the City's deposits was \$7,469,747, and the bank balance was \$7,789,009. \$250,000 of the City's bank balance was covered by Federal Depository Insurance and the remaining amount of \$7,539,009 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the City's name.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Deposits (Continued)

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.

Investments

The City had no investments at December 31, 2017.

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2017, 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 \$443,886 in the General Fund, \$3,829,476 in the Bond Retirement Fund and \$20,968 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 2017 for real and public utility property taxes represents collections of the 2016 taxes. Property tax payments received during 2017 for tangible personal property (other than public utility property) are for 2017 taxes.

2016 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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, 2017
 (CONTINUED)**

NOTE 7: **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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017 was \$18.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Property Category	Assessed Value	Percent
Real Estate	\$ 235,638,340	98.43 %
Public Utility	3,748,700	1.57
Total	\$ 239,387,040	100.00 %

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Fiscal Office periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017 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 2017 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 2017, 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, 2017
(CONTINUED)**

NOTE 7: **RECEIVABLES** (Continued)

Intergovernmental Receivables

A summary of the intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 70,162
Homestead and Rollback	221,693
Gasoline tax	163,179
Motor Vehicle License Tax	42,953
Grants	14,904
Total	\$ 512,891

NOTE 8: **INTERFUND TRANSFERS AND BALANCES**

Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

Transfers To	Transfers from General
Fire Service	\$ 700,000
Bond Retirement	925,000
Nonmajor Governmental Funds	1,189,000
Total	\$ 2,814,000

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

Interfund Balances

Interfund balances for the year ended December 31, 2017 consisted of the following:

	Receivables	Payables
Major Funds		
General	\$ 66,767	\$ -
Fire Service	-	(290,000)
Nonmajor Governmental Funds		
<i>Special Revenue Funds:</i>		
Rescue Squad	290,000	-
<i>Capital Projects Fund:</i>		
Capital Improvement	-	(27,268)
Street Improvement	250,040	-
Sewer Improvement	-	(289,539)
	\$ 606,807	\$ (606,807)

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 9: FUND BALANCES

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

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

Fund Balances	General	Fire Service	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepaid Items	\$ 223,117	\$ 66,244	\$ -	\$ 8,687	\$ 298,048
Inventories	8,036	7,383	-	83,111	98,530
<i>Total Nonspendable</i>	<u>231,153</u>	<u>73,627</u>	<u>-</u>	<u>91,798</u>	<u>396,578</u>
<i>Restricted for</i>					
Streets and Highways	-	-	-	699,912	699,912
Police Pension	-	-	-	51,255	51,255
Fire Pension	-	-	-	81,337	81,337
Other Law Enforcement	-	-	-	33,181	33,181
Community	-	-	-	172,122	172,122
Recycling	-	-	-	12,505	12,505
Capital	-	-	-	751,110	751,110
Bond Retirement	-	-	376,272	-	376,272
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>376,272</u>	<u>1,801,422</u>	<u>2,177,694</u>
<i>Committed to</i>					
Recreation	-	-	-	43,773	43,773
Rescue Squad	-	-	-	945,246	945,246
City Beautification	-	-	-	5,363	5,363
Professional Services	-	-	-	130,876	130,876
Zoning	-	-	-	33,695	33,695
Other Purposes	407,996	-	-	-	407,996
<i>Total Committed</i>	<u>407,996</u>	<u>-</u>	<u>-</u>	<u>1,158,953</u>	<u>1,566,949</u>
<i>Assigned to</i>					
Purchases on Order	45,148	-	-	-	45,148
<i>Total Assigned</i>	<u>45,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,148</u>
<i>Unassigned (Deficit)</i>	4,407,534	(137,607)	-	(287,103)	3,982,824
Total Fund Balances	<u><u>\$ 5,091,831</u></u>	<u><u>\$ (63,980)</u></u>	<u><u>\$ 376,272</u></u>	<u><u>\$ 2,765,070</u></u>	<u><u>\$ 8,169,193</u></u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 10: **CONTINGENCIES**

Grants

For the period January 1, 2017 to December 31, 2017, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

Litigation

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

NOTE 11: **COMPENSATED ABSENCES**

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

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for 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, 2017
(CONTINUED)

NOTE 12: CAPITAL ASSETS

	Balance 12/31/2016	Additions	Disposals	Balance 12/31/2017
<u>Governmental Activities</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,900,846	\$ -	\$ -	\$ 2,900,846
<i>Capital Assets, being depreciated:</i>				
Land Improvements	546,686	-	-	546,686
Buildings	12,465,557	71,254	-	12,536,811
Machinery and Equipment	939,860	186,099	-	1,125,959
Vehicles	2,581,224	324,304	-	2,905,528
Infrastructures:				
Roads	2,660,211	-	-	2,660,211
Sanitary Sewers	6,284,513	-	-	6,284,513
Water Mains	1,750,830	-	-	1,750,830
Total Capital Assets Being Depreciated	<u>27,228,881</u>	<u>581,657</u>	<u>-</u>	<u>27,810,538</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(238,656)	(15,892)	-	(254,548)
Buildings	(4,394,629)	(288,075)	-	(4,682,704)
Machinery and Equipment	(603,772)	(69,931)	-	(673,703)
Vehicles	(1,885,287)	(126,661)	-	(2,011,948)
Infrastructures:				
Roads	(199,516)	(133,011)	-	(332,527)
Sanitary Sewers	(1,724,356)	(157,113)	-	(1,881,469)
Water Mains	(397,815)	(43,771)	-	(441,586)
Total Accumulated Depreciation	<u>(9,444,031)</u>	<u>(834,454)</u>	<u>-</u>	<u>(10,278,485)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>17,784,850</u>	<u>(252,797)</u>	<u>-</u>	<u>17,532,053</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,685,696</u>	<u>\$ (252,797)</u>	<u>\$ -</u>	<u>\$ 20,432,899</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 67,360
Security of Persons and Property	326,235
Community Environment	336,252
Leisure Time Activities	13,846
Transportation	90,761
Total Depreciation Expense	<u>\$ 834,454</u>

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN**

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, 2017
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (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’ CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 57 with 25 years of service credit or Age 62 with 5 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.

When a 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, 2017
 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLAN** (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
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contributions was \$238,570 for 2017. Of this amount, \$32,437 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.

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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

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

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 retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$711,509 for 2017. Of this amount, \$96,726 is reported as an intergovernmental payable.

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, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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	0.014554%	0.064063%	0.084490%	
Proportion of the Net Pension Liability - Current Measurement Date	<u>0.013393%</u>	<u>0.066565%</u>	<u>0.081505%</u>	
Change in Proportionate Share	<u>-0.001161%</u>	<u>0.002502%</u>	<u>-0.002985%</u>	
Proportionate Share of the Net Pension Liability	\$ 3,041,323	\$ 4,216,166	\$ 5,162,446	\$ 12,419,935
Pension Expense	\$ 699,111	\$ 555,879	\$ 618,131	\$ 1,873,121

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

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

At December 31, 2017, 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				
Net difference between projected and actual earnings on pension plan investments	\$452,924	\$410,006	\$502,028	\$1,364,958
Changes of assumptions	482,390	0	0	482,390
Differences between expected and actual experience	4,122	1,193	1,461	6,776
Changes in proportion and differences between City contributions and proportionate share of contributions	118,166	167,372	38,432	323,970
City contributions subsequent to the measurement date	<u>238,570</u>	<u>333,081</u>	<u>378,428</u>	<u>950,079</u>
Total Deferred Outflows of Resources	<u>\$1,296,172</u>	<u>\$911,652</u>	<u>\$920,349</u>	<u>\$3,128,173</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$18,099	\$9,707	\$11,886	\$39,692
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>98,598</u>	<u>0</u>	<u>144,090</u>	<u>242,688</u>
Total Deferred Inflows of Resources	<u>\$116,697</u>	<u>\$9,707</u>	<u>\$155,976</u>	<u>\$282,380</u>

\$950,079 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Year Ending December 31:				
2018	\$433,989	\$191,058	\$171,429	\$796,476
2019	363,240	191,059	171,431	725,730
2020	156,954	153,905	125,937	436,796
2021	(13,278)	7,528	(53,293)	(59,043)
2022	0	23,227	(26,765)	(3,538)
Thereafter	0	2,087	(2,794)	(707)
Total	<u>\$940,905</u>	<u>\$568,864</u>	<u>\$385,945</u>	<u>\$1,895,714</u>

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

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, 2016, 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. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. 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 COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. 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.

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.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. 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 is 8.3 percent for 2016.

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 below displays the Board-approved asset allocation policy for 2016 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	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate - The discount rate used to measure the total pension liability was 7.5 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.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 4,646,300	\$ 3,041,323	\$ 1,703,857

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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. 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent Simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation Protected *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

* levered 2x

** numbers are net of expected inflation

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

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 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 8.25 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. 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.

**CITY OF RICHMOND HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

Actuarial Assumptions – OP&F (Continued)

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 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 12,491,191	\$ 9,378,612	\$ 6,740,647

NOTE 14: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

Plan Description - 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 fund 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 Accounts (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Ohio Public Employees Retirement System (Continued)

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.00 percent of earnable salary. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.00 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both plans. 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 for Member-Directed Plan participants for 2017 was 4.00 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$18,750, \$35,437 and \$33,982, respectively. For 2017, 88 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Fire Pension Fund

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

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Ohio Police and Fire Pension Fund (Continued)

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2017 thru December 31, 2017. 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 the Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$8,765 and \$8,052 for the year ended December 31, 2017, \$8,436 and \$7,517 for the year ended December 31, 2016, and \$7,218 and \$7,706 for the year ended December 31, 2015. 89 percent has been contributed for police and 85 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 15: **RISK MANAGEMENT**

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. In October 1987, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund (See Note 16). The City pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is paid from the General Fund.

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

Workers' Compensation

The City participates in the Ohio Municipal League (OML) public risk pool for workers' compensation. See Note 17 Insurance Purchasing Pool for further information.

Employee Insurance Benefits

The City provides medical and prescription drug benefits through Anthem and dental 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 \$1,373 for family coverage, \$946 for an employee plus one additional person and \$457 for single coverage.

NOTE 16: **SHARED RISK POOL**

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of 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 \$1,250,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2017, the City of Richmond Heights paid \$72,228 in premiums from the General Fund, which represents 5.40 percent of total premiums. The City also paid \$37,930 in loss fund contributions. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Mayfield Heights, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

NOTE 17: **INSURANCE PURCHASING POOL**

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

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 18: LONG-TERM OBLIGATIONS

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

	<u>Original Issue Date</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation				
Various Purpose - 2007	2007	3.75 - 4.0	4,125,000	December 1, 2021
Various Purpose - 2009	2009	3.0 - 5.0	5,259,999	December 1, 2020
OWDA Loans				
Chardon Road Sewer	1999	4.56	1,554,105	January 1, 2019
Brushview Road Sewer	2000	4.12	439,366	January 1, 2020
Highland Road - Meadowlane	2001	3.79	648,031	January 1, 2021
Richmond Road	2003	3.90	923,490	January 1, 2023
Sunset/Skyline Sewer Construction	2004	3.20 - 3.59	1,036,790	January 1, 2024
Dunbarton/Cary Jay - Construction	2005	3.41	564,812	January 1, 2025
Richmond Road et al Sewers	2006	3.35	1,265,403	January 1, 2026
Richmond Road and Side Streets	2008	3.25	1,769,784	January 1, 2028
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, 2020

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 18: LONG-TERM OBLIGATIONS (Continued)

A schedule of changes in bonds and other long-term obligations of the City during 2017 follows:

	Principal Outstanding 12/31/2016	Additions	Deletions	Principal Outstanding 12/31/2017	Amounts Due in One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Various Purpose - 2007	\$ 1,560,000	\$ -	\$ (405,000)	\$ 1,155,000	\$ 270,000
Unamortized Premium	9,281	-	(1,855)	7,426	-
Various Purpose - 2009					
Refunding	809,999	-	(250,000)	559,999	260,000
General Obligation	1,010,000	-	(330,000)	680,000	340,000
Unamortized Premium	89,685	-	(22,421)	67,264	-
Total General Obligation Bonds	3,478,965	-	(1,009,276)	2,469,689	870,000
<u>OWDA Loans</u>					
Chardon Road Sewer	279,223	-	(107,758)	171,465	112,728
Brushview Road Sewer	104,793	-	(28,434)	76,359	29,618
Highland Road - Meadowlane	190,766	-	(39,653)	151,113	41,170
Richmond Road	381,011	-	(52,575)	328,436	54,646
Sunset/Skyline Sewer Construction	484,530	-	(57,381)	427,149	59,460
Dunbarton/Cary Jay - Construction	292,042	-	(30,164)	261,878	31,201
Richmond Road et al Sewers	641,654	-	(58,408)	583,246	60,382
Richmond Road and Side Streets	1,145,693	-	(79,468)	1,066,225	82,072
Total OWDA Loans	3,519,712	-	(453,841)	3,065,871	471,277
<u>OPWC Loan</u>					
Skyline-Glen Oval Waterline and Pavement	501,800	-	(37,171)	464,629	37,171
Total OPWC Loan	501,800	-	(37,171)	464,629	37,171
<u>Net Pension Liability</u>					
OPERS	2,520,936	520,387	-	3,041,323	-
OP&F	9,556,516	-	(177,904)	9,378,612	-
Total Net Pension Liability	12,077,452	520,387	(177,904)	12,419,935	-
<u>Other Long-term Liabilities</u>					
City of Highland Heights	38,347	-	(9,546)	28,801	9,546
Long Term Note	1,190,000	-	(1,190,000)	-	-
Police Pension Liability	37,664	-	(1,378)	36,286	1,437
Capital Leases	9,712	98,500	(16,156)	92,056	32,956
Compensated Absences	864,172	370,040	(195,350)	1,038,862	230,770
Total Other Long-term Liabilities	2,139,895	468,540	(1,412,430)	1,196,005	274,709
Total Governmental Long-Term Liabilities	\$ 21,717,824	\$ 988,927	\$ (3,090,622)	\$ 19,616,129	\$ 1,653,157

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 18: **LONG-TERM OBLIGATIONS** (Continued)

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

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

During 2002, the City entered into a contractual agreement with the City of Highland Heights for the construction of sanitary sewer lines on Highland Road. Richmond Heights is responsible for the portion of the lines that run through the City. The project was financed by a loan from the Ohio Public Works Commission in the name of the City of Highland Heights. The total amount owed to the City of Highland Heights as of December 31, 2017, is \$28,801 and has been recorded as a long-term liability in the government-wide financial statements and will be repaid from special assessments levied on the affected properties from the Bond Retirement Debt Service Fund.

In 2009, the City defeased a 2001 law enforcement general obligation bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2017, \$765,000 of the defeased bonds are still outstanding.

The police pension liability will be paid from property tax revenue in the Police Pension Fund.

The compensated absences will be paid from the General and Fire Service funds.

During 2016, the City issued a \$1,190,000 bond anticipation note at a rate of 1.25 percent which matured in 2017. These notes were used for the street resurfacing. The note was completely paid in 2017 and was not reissued.

The City's overall legal debt margin was \$23,116,912 at December 31, 2017. The unvoted legal debt margin was \$11,147,560.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 18: 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, 2017, are as follows:

	G.O. Bonds		OWDA Loans		OPWC
	Principal	Interest	Principal	Interest	Principal
2018	\$ 870,000	\$ 97,650	\$ 471,277	\$ 88,475	\$ 37,171
2019	895,000	62,850	430,198	73,759	37,171
2020	324,999	279,001	368,602	62,085	37,171
2021	305,000	12,200	341,986	51,160	37,171
2022	-	-	330,381	41,158	37,171
2023-2027	-	-	1,010,129	84,414	185,855
2028-2032	-	-	113,298	2,556	92,919
2033-2037	-	-	-	-	-
	<u>\$ 2,394,999</u>	<u>\$ 451,701</u>	<u>\$ 3,065,871</u>	<u>\$ 403,607</u>	<u>\$ 464,629</u>

	Intergovernmental Payable	Police Pension		Total	
	Principal	Principal	Interest	Principal	Interest
2018	\$ 9,546	\$ 1,437	\$ 1,526	\$ 1,389,431	\$ 187,651
2019	9,546	1,499	1,464	1,373,414	138,073
2020	9,546	1,563	1,400	741,881	342,486
2021	163	1,630	1,332	685,950	64,692
2022	-	1,700	1,262	369,252	42,420
2023-2027	-	9,662	5,152	1,205,646	89,566
2028-2032	-	11,923	2,891	218,140	5,447
2033-2037	-	6,872	437	6,872	437
	<u>\$ 28,801</u>	<u>\$ 36,286</u>	<u>\$ 15,464</u>	<u>\$ 5,990,586</u>	<u>\$ 870,772</u>

NOTE 19: CAPITAL LEASES

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

During 2017, the City entered into an agreement with Software Solutions, Inc. for the purchase and implementation of financial software. The total project cost is \$98,500, with a down payment of \$9,850 due in 2017 followed by three annual payments of \$29,550 starting in 2018.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017.

Year	Amount
2018	\$ 33,031
2019	29,550
2020	29,550
Less: Amount Representing Interest	(75)
Present Value of Minimum Lease Payments	\$ 92,056

The assets acquired were capitalized in the governmental activities in the amount of \$135,591, which was the present value of the minimum lease payments at the inception of the lease.

NOTE 20: **JOINTLY GOVERNED ORGANIZATION**

Eastern Suburban Regional Council of Governments

The City is a member of the Eastern Suburban Regional Council of Governments (ESRCOG). The ESRCOG was formed, by written agreement pursuant to Ohio Rev. Code Section 167.01, in 1972 to foster cooperation between member municipalities through sharing of resources for mutual benefit. 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 ESCOG annually. Each member's degree of control is limited to its representation on the Council.

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

In 2017, the City contributed \$18,000. Financial information can be obtained from Robert G. Tribby, Finance Director, City of Mayfield Heights, at 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207, who serves as fiscal agent.

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of 220 communities in 14 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.

CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 20: **JOINTLY GOVERNED ORGANIZATION** (Continued)

Northeast Ohio Public Energy Council (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the fourteen-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 2017. 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 70 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 2016. 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 21: **RELATED ORGANIZATION**

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

In 2017, the City contributed \$24,229. 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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST FOUR YEARS (1)**

Traditional Plan	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.013393%	0.014554%	0.011797%	0.011797%
City's Proportionate Share of the Net Pension Liability	\$3,041,323	\$2,520,936	\$1,422,850	\$1,390,713
City's Covered-Employee Payroll	\$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 Employee Payroll	175.51%	150.52%	89.84%	93.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

**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 FOUR YEARS (1)**

Police	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0665650%	0.0640633%	0.0622547%	0.0622547%
City's Proportionate Share of the Net Pension Liability	\$4,216,166	\$4,121,234	\$3,225,053	\$3,031,999
City's Covered-Employee Payroll	\$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 Employee Payroll	272.94%	283.89%	235.00%	239.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%
Fire	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0815050%	0.0844897%	0.0833731%	0.0833731%
City's Proportionate Share of the Net Pension Liability	\$5,162,446	\$5,435,282	\$4,319,075	\$4,060,532
City's Covered-Employee Payroll	\$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 Employee Payroll	337.07%	350.70%	288.57%	278.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$238,570	\$207,944	\$200,975	\$190,041	\$192,513
Contributions in Relation to the Contractually Required Contribution	<u>(\$238,570)</u>	<u>(\$207,944)</u>	<u>(\$200,975)</u>	<u>(\$190,041)</u>	<u>(\$192,513)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$1,835,154	\$1,732,867	\$1,674,792	\$1,583,675	\$1,480,869
Pension Contributions as a Percentage of Covered-Employee Payroll	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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contractually Required Contributions</u>										
Police	\$333,081	\$293,500	\$275,819	\$260,748	\$199,525	\$161,979	\$166,672	\$301,187	\$204,833	\$286,564
Fire	\$378,428	\$359,915	\$364,210	\$351,725	\$295,282	\$253,951	\$234,614	\$341,818	\$279,732	\$313,460
Total Required Contributions	\$711,509	\$653,415	\$640,029	\$612,473	\$494,807	\$415,930	\$401,286	\$643,005	\$484,565	\$600,024
Contributions in Relation to the Contractually Required Contribution	(\$711,509)	(\$653,415)	(\$640,029)	(\$612,473)	(\$494,807)	(\$415,930)	(\$401,286)	(\$643,005)	(\$484,565)	(\$600,024)
Contribution Deficiency / (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>City's Covered-Employee Payroll</u>										
Police	\$1,753,058	\$1,544,737	\$1,451,679	\$1,372,358	\$1,268,436	\$1,270,424	\$1,307,231	\$2,362,251	\$1,606,533	\$2,247,561
Fire	\$1,610,332	\$1,531,553	\$1,549,830	\$1,496,702	\$1,459,624	\$1,472,180	\$1,360,081	\$1,981,554	\$1,621,635	\$1,817,159
<u>Pension Contributions as a Percentage of Covered- Employee Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%	17.25%

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

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. 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.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Richmond Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2018

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

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

FINDING NUMBER 2017-001

Agency Fund Deposits – Significant Deficiency

The City could not provide a reconciled open item listing of guaranteed deposits on hand as of December 31, 2017 for their Building Bond Fund and Sidewalk Bond Fund. This was due to no reconciliation being completed between the system fund balances for these funds and any guaranteed deposits on hand.

Also, fees which are withheld from the refunding of deposits are not being remitted to the City's General Fund. These fees are remaining in the Building Bond Agency Fund and Sidewalk Bond Agency Fund. At December 31, 2017, the Building Bond Fund and Sidewalk Fund had a total combined balance of \$363,449. Since the City does not perform a reconciliation, the City may not be able to identify how much of this total belongs to their General Fund as operating monies, and how much actually belongs in their Building Bond Fund and Sidewalk Bond Fund to cover any outstanding guaranteed deposits.

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

Officials' Response: The City has retained the services of one its former Finance Directors to assist in the examination of agency deposits. Excel pivot tables are used along with input from the City's building department, which is being used to reconcile agency fund activity from 1997 through today. New financial software will be installed in 2018 which will vastly improve the tracking and accounting of transactions related to the City's agency funds. When the project concludes a final written report will be prepared, and a new policies and procedures implemented , which should provide a solid foundation to satisfy a court approval of these reconciled ending fund balances.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Agency Fund Deposits	Not Corrected	The City is investigating possible solutions to correct this issue.



Dave Yost • Auditor of State

CITY OF RICHMOND HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 9, 2018