



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
[ContactUs@ohioauditor.gov](mailto:ContactUs@ohioauditor.gov)  
(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT

Garfield Heights City School District  
Cuyahoga County  
5640 Briarcliff Drive  
Garfield Heights, Ohio 44125

To the Board of Education:

### ***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 Garfield Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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.

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**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 Garfield Heights City School District, Cuyahoga County, Ohio, as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 25 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2023, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 2, 2023

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

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The discussion and analysis of the Garfield Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District'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 School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position decreased by \$2,143,424.
- Revenues for governmental activities total \$57,889,331 during 2021. Of this total 77 percent consisted of general revenues and program revenues accounted for the balance of 23 percent.
- Program expenses total \$60,032,755. Instructional expenses made up 61 percent of this total while support services accounted for 33 percent. Other expenses rounded out the remaining 6 percent.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Garfield Heights City School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Garfield Heights City School District, the General Fund and the Bond Retirement Debt Service Fund are the most significant funds.

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the School District's net position and changes in net position. The changes in net position are important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

**Reporting the School District's Most Significant Funds**

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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 CUYAHOGA COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal year 2021 compared to fiscal year 2020:

**Table 1- Net Position**

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current and other assets	\$ 37,264,581	\$ 37,374,809
Capital assets, net	46,257,931	47,411,066
<b>Total Assets</b>	<b>83,522,512</b>	<b>84,785,875</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferral on Refunding	956,837	1,139,299
Pension	9,392,122	9,693,705
OPEB	1,380,582	1,032,437
<b>Total Deferred Outflows of Resources</b>	<b>11,729,541</b>	<b>11,865,441</b>
<b>LIABILITIES</b>		
Current and other liabilities	6,634,325	6,185,254
Long-term liabilities:		
Due within one year	4,113,472	3,602,148
Due in more than one year:		
Net Pension Liability	54,089,079	50,190,308
Net OPEB Liability	3,904,963	4,557,038
Other Amounts	28,628,852	31,810,429
<b>Total Liabilities</b>	<b>97,370,691</b>	<b>96,345,177</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	16,738,831	16,232,299
Payment in Lieu of Taxes	91,618	220,679
Pension	1,297,514	2,718,785
OPEB	5,666,391	4,903,944
<b>Total Deferred Inflows of Resources</b>	<b>23,794,354</b>	<b>24,075,707</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	21,641,444	20,904,953
Restricted	6,003,651	7,120,745
Unrestricted	(53,558,087)	(51,795,266)
<b>Total Net Position</b>	<b>\$ (25,912,992)</b>	<b>\$ (23,769,568)</b>

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The net pension liability (NPL), net OPEB liability (NOL) and Net OPEB asset, are reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27”, and GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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

GASB 68 and GASB 75 require the net pension liability, the net OPEB liability and net OPEB asset to equal the School District’s proportionate share of each plan’s collective:

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

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

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

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Total net position decreased \$2,143,424 from the prior fiscal year. The decrease in capital assets is due to current year depreciation exceeding capital additions. The changes in deferred outflows of resources for pension/OPEB, net pension/OPEB liability and net OPEB asset, and deferred inflows of resources for pension/OPEB are due to the fluctuations of amounts under GASB 68 and GASB 75. The decrease in deferred outflows of resources for deferral on refunding is due to the annual amortization of accounting gains and losses on refunded bonds. The decrease in long term liabilities other than net pension/OPEB liability was due to principal payments on bonds.

The recording of GASB Statement No. 68 and 75 require the readers to perform additional calculations to determine the School District's total Net Position at June 30, 2021, without the recording of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employees, not the School District. These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	\$	(25,912,992)
Add:		
Net Pension Liability		54,089,079
Net OPEB Liability		3,904,963
Deferred Inflows - Pension		1,297,514
Deferred Inflows - OPEB		5,666,391
Less:		
Net OPEB Asset		(3,068,731)
Deferred Outflows - Pension		(9,392,122)
Deferred Outflows - OPEB		(1,380,582)
Total Net Position without GASB 68 and GASB 75	<u>\$</u>	<u>25,203,520</u>

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In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for fiscal years 2021 and 2020.

**Table 2- Changes in Net Position**

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 773,017	\$ 762,002
Operating grants and contributions*	12,537,033	10,962,306
<b>Total Program Revenues</b>	<b>13,310,050</b>	<b>11,724,308</b>
General Revenues:		
Property taxes	20,694,075	18,967,112
Payments in lieu of taxes	412,753	335,365
Grants and entitlements not restricted to specific programs*	22,919,002	23,047,355
Investment income	12,956	223,955
Sale of Capital assets	2,929	-
Miscellaneous	537,566	575,399
<b>Total General Revenues</b>	<b>44,579,281</b>	<b>43,149,186</b>
<b>Total Revenues</b>	<b>57,889,331</b>	<b>54,873,494</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	21,054,778	21,272,762
Special	5,012,415	4,603,880
Vocational	44,363	-
Student Intervention Services	10,348,170	10,056,370
Supporting Services:		
Pupils	3,982,869	3,932,660
Instructional Staff	3,022,769	2,456,096
Board of Education	154,322	117,562
Administration	4,364,639	4,424,543
Fiscal Services	1,062,127	1,106,151
Business	476,016	442,078
Operation and Maintenance of Plant	4,491,500	4,170,820
Pupil Transportation	1,181,625	1,599,929
Central	1,105,683	737,635
Operation of Non-Instructional Services	1,180,263	894,939
Operation of Food Service	1,197,779	1,972,394
Extracurricular Activities	622,641	637,654
Interest and Fiscal Charges	730,796	822,067
<b>Total Expenses</b>	<b>60,032,755</b>	<b>59,247,540</b>
Change in Net Position	(2,143,424)	(4,374,046)
Net Position - Beginning of Year	(23,769,568)	(19,395,522)
<b>Net Position - End of Year</b>	<b>\$ (25,912,992)</b>	<b>\$ (23,769,568)</b>

\* Certain reclassifications were made for comparability

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*Governmental Activities*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner-occupied homes would reduce the amount of taxes paid.

Property tax revenue increased by 9 percent in fiscal year 2021 due to accrual of delinquencies in advance for the fiscal year 2021. Operating grants and contributions increased mainly due COVID related federal funding. Investment income decrease due to a rate change.

Parents continue to have the opportunity to pay for the student's lunch online. Each student uses his/her personal identification number that accesses his/her account when visiting the cafeteria. The School District also allows parents to pay for any school fees and extracurricular activities online.

Total expenses increased by \$785,215 mainly due to the recording of GASB Statement No. 68 and 75. The effects of GASB 68 and 75 distort the comparative analysis of expenses due to the significant changes made by the pension systems in recording the aforementioned GASBs. As a result of the significant adjustments to program expenses for GASB 68 and 75, the following adjustments are needed:

Total 2021 program expenses under GASB 68 and 75	\$ 60,032,755
NPL expense under GASB 68	(6,679,835)
2021 contractually required contribution - Pension	3,900,752
Negative OPEB expense under GASB 75	236,874
2021 contractually required contribution - OPEB	104,306
Adjusted 2021 program expenses	57,594,852
Total 2020 program expenses under GASB 68	59,247,540
NPL expense under GASB 68	(7,484,590)
2020 contractually required contribution - Pension	3,834,778
Negative OPEB expense under GASB 75	812,676
2020 contractually required contribution - OPEB	86,657
Adjusted 2020 program expenses	56,497,061
Increase in program expenses	\$ 1,097,791

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See pages 12-13 for analysis of the District's fund financial statements that do not include the pension and OPEB expenses in relation to GASB Statement No. 68 and 75. See Notes 17 and 18 for more information regarding the net pension liability and net OPEB liability/asset, and the related pension/OPEB expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

The majority of the programs listed below rely on general revenues for financing. Clearly, the State of Ohio is the greatest source of financial support for the students of the Garfield Heights City School District.

**Table 3- Total and Net Cost of Program Services**

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2021	2020	2021	2020
Instruction	\$ 36,459,726	\$ 35,933,012	\$ 29,552,711	\$ 29,411,329
Supporting Services:				
Pupils and Instructional Staff	7,005,638	6,388,756	3,592,135	5,704,763
Board of Education, Administration, Business, and Fiscal Services	6,057,104	6,090,334	5,846,767	5,795,908
Operation and Maintenance of Plant	4,491,500	4,170,820	3,815,203	3,791,492
Pupil Transportation	1,181,625	1,599,929	1,100,368	996,869
Central	1,105,683	737,635	1,096,627	554,700
Operation of Non-Instructional Services	2,378,042	2,867,333	455,638	270,023
Extracurricular Activities	622,641	637,654	532,460	730,980
Interest and Fiscal Charges	730,796	822,067	730,796	1,690,005
<b>Total Cost of Services</b>	<b>\$ 60,032,755</b>	<b>\$ 59,247,540</b>	<b>\$ 46,722,705</b>	<b>\$ 48,946,069</b>

**The School District's Funds**

Information regarding the School District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$57,854,687 and expenditures and other financials uses of \$59,651,295.

The General Fund had an increase in fund balance mainly due to increase in property taxes offset by a decrease in interest income.

The Bond Retirement Debt Service Fund had a decrease in fund balance, mainly due to decrease in property tax collections and intergovernmental.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental monies from State and Federal grants compose the School District's largest revenue source, accounting for 61 percent of total governmental revenue.



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 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the General Fund.

During the course of fiscal year 2021, the School District amended its General Fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program-based decision and management.

For the General Fund, final budget basis revenue and other financing sources was \$46,604,872, which was above original budget estimates of \$45,105,000. The variance is mainly due to a change in final budgeted intergovernmental revenue and property taxes. The actual revenue and other financing sources was \$45,582,453.

The School District's actual expenditures and other financing uses was \$973,851 lower than the final budget basis expenditures in the General Fund.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows fiscal year 2021 balances compared to fiscal year 2020:

**Table 4- Capital Assets**

	Governmental Activities	
	2021	2020
Land	\$ 1,216,751	\$ 1,216,751
Construction in Progress	563,708	2,751,185
Land Improvements	301,417	353,510
Buildings and Improvements	42,557,600	41,398,615
Furniture and Equipment	1,267,177	1,309,095
Vehicles	351,278	381,910
<b>Total Capital Assets</b>	<b>\$ 46,257,931</b>	<b>\$ 47,411,066</b>

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2021, the set aside amount was \$638,730. See Note 11 to the basic financial statements for additional information on the School District's capital assets and Note 21 for additional information regarding required set-asides.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (UNAUDITED)**

**Debt**

Table 5 summarizes the bonds and capital leases outstanding.

**Table 5- Outstanding Debt at Year End**

	Governmental Activities	
	2021	2020
2006 Energy Conservation Improvement Bonds	\$ -	\$ 96,511
2012 Refunding Bonds	3,978,859	4,805,160
2015 Refunding Bonds	12,608,308	14,957,884
2016 Refunding Bonds	6,205,068	6,324,082
Capital Leases	3,134,866	2,881,116
<b>Total Outstanding Debt</b>	<b>\$ 25,927,101</b>	<b>\$ 29,064,753</b>

The 2006 Energy Conservation Improvement Bonds were issued for the installation, modification and remodeling of school buildings to conserve energy and they had a final maturity in December of 2020. The 2012 Refunding Bonds were issued to refund a portion of 2004 School Improvement Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2024. The 2015 Refunding Bonds were issued to refund a portion of 2006 Refunding Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2024. The 2016 Refunding Bonds were issued to refund the remaining portion of 2006 Refunding Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2026. See Note 13 to the basic financial statements for additional information on the School District's long-term obligations.

**School District Outlook**

The School District relies heavily on its local property taxpayers and the State of Ohio for its funding. The School District is affected by property tax delinquencies, changes in the personal property tax structure and commercial business uncertainties. Those issues, along with the State of Ohio's current economy and the fact that it only passes biennial budgets, make it increasingly difficult for the School District to plan for future educational programming needs required for our students. All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Allen Sluka, Treasurer at Garfield Heights City School District, 5640 Briarcliff Drive, Garfield Heights, Ohio 44125.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,977,257
Cash and Cash Equivalents:	
With Escrow Agents	353,777
Property Taxes Receivable	25,221,968
Payments in Lieu of Taxes Receivable	91,618
Accounts Receivable	158,772
Accrued Interest Receivable	6,362
Intergovernmental Receivable	1,377,779
Materials and Supplies Inventory	8,317
Net OPEB Asset	3,068,731
Nondepreciable Capital Assets	1,780,459
Depreciable Capital Assets, Net	44,477,472
<b>Total Assets</b>	<u>83,522,512</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferral on Refunding	956,837
Pension	9,392,122
OPEB	1,380,582
<b>Total Deferred Outflows of Resources</b>	<u>11,729,541</u>
<b>LIABILITIES</b>	
Accounts Payable	1,021,340
Accrued Wages and Benefits	4,548,862
Intergovernmental Payable	751,041
Accrued Interest Payable	72,307
Matured Compensated Absences Payable	240,775
Long-term Liabilities:	
Due within one year	4,113,472
Due in more than one year:	
Net Pension Liability	54,089,079
Net OPEB Liability	3,904,963
Other Amounts	28,628,852
<b>Total Liabilities</b>	<u>97,370,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	16,738,831
Payments in Lieu of Taxes	91,618
Pension	1,297,514
OPEB	5,666,391
<b>Total Deferred Inflows of Resources</b>	<u>23,794,354</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	21,641,444
Restricted:	
Capital Projects	53,540
Debt Service	4,793,780
Scholarships	107,165
State Funded Programs	4,565
Federally Funded Programs	21,022
Student Activities	1,683
Athletics and Music	100,286
Food Service	495,082
Classroom Facilities Maintenance	383,472
Other Purpose	43,056
Unrestricted	(53,558,087)
<b>Total Net Position</b>	<u>\$ (25,912,992)</u>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 21,054,778	\$ 243,019	\$ 397,951	\$ (20,413,808)
Special	5,012,415	38,957	5,964,622	991,164
Vocational	44,363	-	123,806	79,443
Student Intervention Services	10,348,170	138,660	-	(10,209,510)
Supporting Services:				
Pupils	3,982,869	29,183	2,014,812	(1,938,874)
Instructional Staff	3,022,769	17,156	1,352,352	(1,653,261)
Board of Education	154,322	1,645	-	(152,677)
Administration	4,364,639	52,910	115,337	(4,196,392)
Fiscal Services	1,062,127	12,680	-	(1,049,447)
Business	476,016	27,765	-	(448,251)
Operation and Maintenance of Plant	4,491,500	99,215	577,082	(3,815,203)
Pupil Transportation	1,181,625	11,896	69,361	(1,100,368)
Central	1,105,683	9,056	-	(1,096,627)
Operation of Non-Instructional Services	1,180,263	-	1,159,849	(20,414)
Operation of Food Service	1,197,779	694	761,861	(435,224)
Extracurricular Activities	622,641	90,181	-	(532,460)
Interest and Fiscal Charges	730,796	-	-	(730,796)
<b>Total Governmental activities</b>	<b>\$ 60,032,755</b>	<b>\$ 773,017</b>	<b>\$ 12,537,033</b>	<b>(46,722,705)</b>

**General Revenues:**

Property Taxes levied for:	
General Purposes	17,679,032
Debt Service	2,686,417
Capital Outlay	132,813
Other Purposes	195,813
Payments in Lieu of Taxes	412,753
Grants & Entitlements not restricted to specific programs	22,919,002
Investment Income	12,956
Gain on Sale of Capital Assets	2,929
Miscellaneous	537,566
<b>Total General Revenues</b>	<b>44,579,281</b>
Change in Net Position	(2,143,424)
Net Position - Beginning of Year	(23,769,568)
<b>Net Position - End of Year</b>	<b>\$ (25,912,992)</b>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,825,266	\$ 3,447,726	\$ 1,704,265	\$ 6,977,257
Cash and Cash Equivalents:				
With Escrow Agents	353,777	-	-	353,777
Materials and Supplies Inventory	-	-	8,317	8,317
Accrued Interest Receivable	6,362	-	-	6,362
Accounts Receivable	158,772	-	-	158,772
Interfund Receivable	1,633,323	200,000	-	1,833,323
Intergovernmental Receivable	158,814	-	1,218,965	1,377,779
Property Taxes Receivable	21,333,293	3,455,917	432,758	25,221,968
Payments in Lieu of Taxes Receivable	91,618	-	-	91,618
<b>Total Assets</b>	<b>\$ 25,561,225</b>	<b>\$ 7,103,643</b>	<b>\$ 3,364,305</b>	<b>\$ 36,029,173</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 445,437	\$ -	\$ 575,903	\$ 1,021,340
Accrued Wages and Benefits	4,101,817	-	447,045	4,548,862
Intergovernmental Payable	663,830	-	87,211	751,041
Matured Compensated Absences Payable	240,775	-	-	240,775
Interfund Payable	-	-	1,833,323	1,833,323
<b>Total Liabilities</b>	<b>5,451,859</b>	<b>-</b>	<b>2,943,482</b>	<b>8,395,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	14,162,863	2,285,882	290,086	16,738,831
Payments in Lieu of Taxes	91,618	-	-	91,618
Unavailable Revenue - Delinquent Property Taxes	5,111,419	830,615	103,221	6,045,255
Unavailable Revenue - Grants	-	-	487,871	487,871
Unavailable Revenue - Other	158,814	-	-	158,814
<b>Total Deferred Inflows of Resources</b>	<b>19,524,714</b>	<b>3,116,497</b>	<b>881,178</b>	<b>23,522,389</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	8,317	8,317
Restricted	3,199	3,987,146	1,314,077	5,304,422
Assigned	218,368	-	-	218,368
Unassigned (Deficits)	363,085	-	(1,782,749)	(1,419,664)
<b>Total Fund Balances</b>	<b>584,652</b>	<b>3,987,146</b>	<b>(460,355)</b>	<b>4,111,443</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 25,561,225</b>	<b>\$ 7,103,643</b>	<b>\$ 3,364,305</b>	<b>\$ 36,029,173</b>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
 NET POSITION OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2021**

**Total Governmental Fund Balances** \$ 4,111,443

*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. 46,257,931

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

Delinquent Property Taxes	6,045,255	
Intergovernmental	487,871	
Miscellaneous Revenues	<u>158,814</u>	
Total		6,691,940

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (72,307)

Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position. 956,837

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

Deferred Outflows - Pension	9,392,122	
Deferred Inflows - Pension	(1,297,514)	
Net Pension Liability	(54,089,079)	
Net OPEB Asset	3,068,731	
Deferred Outflows - OPEB	1,380,582	
Deferred Inflows - OPEB	(5,666,391)	
Net OPEB Liability	<u>(3,904,963)</u>	
Total		(51,116,512)

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

General Obligation Bonds	(22,792,235)	
Capital Leases	(3,134,866)	
Compensated Absences	<u>(6,815,223)</u>	
Total		<u>(32,742,324)</u>

**Net Position of Governmental Activities** **\$ (25,912,992)**

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 17,276,003	\$ 2,790,959	\$ 317,900	\$ 20,384,862
Intergovernmental	26,978,655	545,523	7,528,788	35,052,966
Interest	11,304	-	1,652	12,956
Tuition	617,730	-	-	617,730
Extracurricular Activities	12,938	-	77,243	90,181
Rentals	7,225	-	52,469	59,694
Charges for Services	4,718	-	694	5,412
Contributions and Donations	7	-	4,570	4,577
Payments in Lieu of Taxes	412,753	-	-	412,753
Miscellaneous	443,968	-	96,465	540,433
<b>Total Revenues</b>	<u>45,765,301</u>	<u>3,336,482</u>	<u>8,079,781</u>	<u>57,181,564</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	17,396,226	-	403,213	17,799,439
Special	2,805,312	-	2,059,632	4,864,944
Vocational	40,328	-	-	40,328
Student Intervention Services	10,116,446	-	-	10,116,446
Supporting Services:				
Pupils	2,200,521	-	1,647,751	3,848,272
Instructional Staff	1,276,820	-	1,605,077	2,881,897
Board of Education	128,155	-	-	128,155
Administration	4,064,281	-	107,923	4,172,204
Fiscal Services	1,005,206	56,957	7,500	1,069,663
Business	458,819	-	-	458,819
Operation and Maintenance of Plant Services	3,466,325	-	962,982	4,429,307
Pupil Transportation	982,646	-	67,852	1,050,498
Central	655,091	-	-	655,091
Operation of Non-Instructional Services	-	-	1,171,114	1,171,114
Operation of Food Service	-	-	1,171,579	1,171,579
Extracurricular Activities	413,692	-	201,329	615,021
Capital Outlay	253,644	-	567,506	821,150
Debt Service:				
Principal Retirement	42,368	3,175,000	137,505	3,354,873
Interest and Fiscal Charges	9,302	661,395	100,798	771,495
<b>Total Expenditures</b>	<u>45,315,182</u>	<u>3,893,352</u>	<u>10,211,761</u>	<u>59,420,295</u>
Excess of Revenues Over (Under) Expenditures	<u>450,119</u>	<u>(556,870)</u>	<u>(2,131,980)</u>	<u>(2,238,731)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	-	8,500	8,500
Inception of Capital Lease	433,623	-	-	433,623
Transfers In	-	-	231,000	231,000
Transfers Out	(231,000)	-	-	(231,000)
<b>Total Other Financing Sources (Uses)</b>	<u>202,623</u>	<u>-</u>	<u>239,500</u>	<u>442,123</u>
Net Change in Fund Balances	652,742	(556,870)	(1,892,480)	(1,796,608)
Fund Balances - Beginning of Year, Restated	(68,090)	4,544,016	1,432,125	5,908,051
<b>Fund Balances - End of Year</b>	<u>\$ 584,652</u>	<u>\$ 3,987,146</u>	<u>\$ (460,355)</u>	<u>\$ 4,111,443</u>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
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 FISCAL YEAR ENDED JUNE 30, 2021**

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**Net Change in Fund Balances-Total Governmental Funds** \$ (1,796,608)

*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	923,852	
Depreciation	<u>(2,071,416)</u>	
Total		(1,147,564)

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (5,571)

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

Delinquent Property Taxes	309,213	
Intergovernmental	398,492	
Miscellaneous Revenues	<u>39,687</u>	
Total		747,392

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of a capital lease. (433,623)

Repayment of bond principal and capital leases are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 3,354,873

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

Pension	3,900,752	
OPEB	<u>104,306</u>	
Total		4,005,058

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension/OPEB expense in the Statement of Activities.

Pension	(6,679,835)	
OPEB	<u>236,874</u>	
Total		(6,442,961)

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	(467,399)	
Accrued Interest	9,039	
Amortization of Bond Premiums	216,402	
Deferred Amount on Refunding	<u>(182,462)</u>	
Total		<u>(424,420)</u>

**Change in Net Position of Governmental Activities** \$ (2,143,424)

See accompanying notes to the basic financial statements.



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 16,741,069	\$ 17,301,517	\$ 16,919,476	\$ (382,041)
Intergovernmental	26,705,232	27,599,254	26,989,825	(609,429)
Interest	50,988	52,695	51,531	(1,164)
Tuition	595,523	615,459	601,869	(13,590)
Extracurricular Activities	7,460	7,710	7,540	(170)
Rentals	7,149	7,388	7,225	(163)
Charges for Services	4,668	4,825	4,718	(107)
Payments in Lieu of Taxes	408,401	422,073	412,753	(9,320)
Miscellaneous	282,010	291,451	285,016	(6,435)
<b>Total Revenues</b>	<u>44,802,500</u>	<u>46,302,372</u>	<u>45,279,953</u>	<u>(1,022,419)</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	18,571,257	18,087,757	18,072,255	15,502
Special	3,015,011	2,951,511	2,951,120	391
Other	9,516,033	10,364,533	10,281,953	82,580
Supporting Services				
Pupils	2,982,752	2,367,752	2,245,279	122,473
Instructional Staff	1,127,351	1,393,351	1,308,174	85,177
Board of Education	88,308	138,308	127,751	10,557
Administration	4,152,651	4,022,651	4,020,130	2,521
Fiscal Services	1,021,919	971,919	957,395	14,524
Business	383,923	483,923	448,558	35,365
Operation and Maintenance of Plant Services	3,691,143	3,826,143	3,539,001	287,142
Pupil Transportation	1,254,739	1,129,739	921,633	208,106
Central	707,781	707,781	688,280	19,501
Extracurricular Activities	382,361	424,861	413,470	11,391
Debt Service:				
Principal	82,350	82,350	51,670	30,680
<b>Total Expenditures</b>	<u>46,977,579</u>	<u>46,952,579</u>	<u>46,026,669</u>	<u>925,910</u>
Excess of Revenues Over Expenditures	<u>(2,175,079)</u>	<u>(650,207)</u>	<u>(746,716)</u>	<u>(96,509)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	302,500	302,500	302,500	-
Advances Out	(300,000)	(300,000)	(332,059)	(32,059)
Transfers Out	(300,000)	(325,000)	(245,000)	80,000
<b>Total Other Financing Sources (Uses)</b>	<u>(297,500)</u>	<u>(322,500)</u>	<u>(274,559)</u>	<u>47,941</u>
Net Change in Fund Balance	<u>(2,472,579)</u>	<u>(972,707)</u>	<u>(1,021,275)</u>	<u>(48,568)</u>
Fund Balance - Beginning of Year	2,217,365	2,217,365	2,217,365	-
Prior Year Encumbrances Appropriated	717,369	717,369	717,369	-
Fund Balance - End of Year	<u>\$ 462,155</u>	<u>\$ 1,962,027</u>	<u>\$ 1,913,459</u>	<u>\$ (48,568)</u>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 JUNE 30, 2021**

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	<b>Custodial Fund</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 31,521
<b>Total Assets</b>	<b>31,521</b>
 <b>LIABILITIES</b>	
<b>Total Liabilities</b>	-
 <b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	31,521
<b>Total Net Position</b>	<b>\$ 31,521</b>

See accompany notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Collections for Other Organizations	\$ 9,401
<b>Total Additions</b>	<b>9,401</b>
<b>DEDUCTIONS</b>	
Distributions to Other Organizations	6,369
<b>Total Deductions</b>	<b>6,369</b>
Net Increase (Decrease) in Fiduciary Net Position	3,032
Net Position - Beginning of Year, Restated	28,489
<b>Net Position - End of Year</b>	<b>\$ 31,521</b>

See accompany notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Garfield Heights City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and Federal agencies. The Board of Education employs 194 classified employees, 292 certificated full and part-time teaching and tutor personnel, and 25 administrators who provide services to 3,529 students and other community members.

***Reporting Entity***

A reporting entity is composed 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 School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

**Non-public Schools** – Within the School District’s boundaries, there are various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District is associated with three jointly governed organizations and one public entity risk pool. These organizations include Connect, the Cuyahoga Valley Career Center, the Ohio Schools’ Council, and the Suburban Health Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District 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 reporting principles. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

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

**Government-wide Financial Statements** – The Statement of Net Position and the Statement of Activities display information about the School District 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 School District that are governmental and those that are considered business-type. However, the School District has only governmental activities; therefore, no business-type activities are presented.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District'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 School District, 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 School District.

**Fund Financial Statements** – During the year, the School District segregates transactions related to certain School District 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 School District 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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Fund Accounting*

The School District 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 School District has no proprietary funds.

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

**General Fund** – The General Fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for school improvements.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned 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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only fiduciary fund is custodial fund that account for athletic tournaments through the Ohio High School Athletic Association.

*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 School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Measurement Focus* (Continued)

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

*Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflow/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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Basis of Accounting* (Continued)

**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 School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 17 and 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow 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 School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position (see Notes 17 and 18).

**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.



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Cash and Cash Equivalents*

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2021, investments were limited to Federal Home Loan Bank, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank, Commercial Paper, Negotiable Certificates of Deposit, Money Market Mutual Fund, and STAR Ohio.

The School District utilizes an escrow agent for unspent capital lease funds. The balance in this account of \$353,777 is presented on the financial statements as "Cash and cash equivalents with escrow agents."

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$11,304, which includes \$7,915 assigned from other School District funds.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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

*Cash and Cash Equivalents (Continued)*

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 School District are presented on the financial statements as cash equivalents.

*Restricted Assets*

Assets are reported as restricted when limitations on their use in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets include amounts required by statute to be set-aside for the acquisition or construction of capital assets. See Note 21 for additional information regarding set asides.

*Capital Assets*

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These 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 School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e., estimating the current replacement cost of the asset 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 School District maintains a capitalization threshold of twenty-five hundred dollars. The School District does not possess any infrastructure. 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, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	15-20 years
Buildings and Improvements	10-50 years
Furniture and Fixtures	5-20 years
Vehicles	10 years

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District 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 earned 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 School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave will be paid.

***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, and are reported as obligations of the funds. However, claims and judgments, 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Internal Activity*

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

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

*Fund Balance*

Fund balance is divided into five classifications based primarily on the extent to which the School District 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 category includes amounts that cannot be spent because they are not in spendable 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.

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

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the School District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) 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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

***Fund Balance*** (Continued)

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District 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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District’s Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District’s Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District’s Board of Education assigned fund balance for extracurricular activities and uniform school supplies. They also may assign a fund balance to cover a gap between estimated revenues and appropriations in subsequent year’s appropriated budget.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District 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 represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest 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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Deferred Charge on Refunding*

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

*Estimates*

The preparation of 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 Data*

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund and function level for the General Fund and the fund level for all other funds. The Treasurer has been given the authority to allocate board appropriations to the object level within the General Fund and the function and object levels within all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

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

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

*Pensions*

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, the School District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Implementation Guide No. 2019-1 *Update* and Implementation Guide No. 2019-2 *Fiduciary Activities*. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while only one fund has been reclassified as governmental funds. These fund reclassifications did not have an effect on Governmental fund balance/net position. The fiduciary fund had a restatement in net position balance in the amount of \$28,489.

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

While the School District 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 Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Advances in/out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
3. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
4. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are reclassified to the general fund for GAAP Reporting.
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

Net Change in Fund Balance	
GAAP Basis	\$ 652,742
Net Adjustment for Revenue Accruals	(897,525)
Net Adjustment for Expenditure Accruals	(259,883)
Advances In	302,500
Advances Out	(332,059)
Funds with Separate Legally Adopted Budgets	1,773
Adjustment for Encumbrances	(488,823)
Budget Basis	\$ (1,021,275)

**NOTE 5: ACCOUNTABILITY AND COMPLIANCE**

The IDEA, Part B Special Education and the Title I Grant special revenue funds have negative cash fund balances in the amount of \$382,744 and \$499,970, respectively. These cash deficits are the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2022. Although these deficits were not corrected by year end, management has indicated that cash will be closely monitored to prevent future violations.



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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NOTE 5: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

Fund balances at June 30, 2021, included the following individual fund deficits:

**Special Revenue Funds**

Other Grants	\$ 63,480
Auxiliary Services	21,447
Public Preschool	34,429
School Net Professional Development	1,041
ESSER	325,101
21st Century Grant	11,905
Coronavirus Relief	17,059
IDEA, Part B Special Education	495,346
Technology II-D Grant	4,175
Title I School Improvement	132,900
Title I Grant	315,979
Preschool Grant	5,117
Class Size Reduction	160,986

**Capital Projects Funds**

Building	193,784
<b>Total</b>	<b><u><u>\$ 1,782,749</u></u></b>

The special revenue funds deficit balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

**NOTE 6: FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Inventories	\$ -	\$ -	\$ 8,317	\$ 8,317
<i>Restricted for</i>				
Teacher Development	3,199	-	-	3,199
Food Service Operations	-	-	607,376	607,376
Scholarships	-	-	107,165	107,165
Classroom Facilities Maintenance	-	-	338,629	338,629
Athletics	-	-	100,286	100,286
Entry Year Teachers	-	-	183	183
School Improvement	-	-	1,391	1,391
Community Involvement	-	-	3,461	3,461
Alternative Schools	-	-	134	134
Non-Public Schools	-	-	5,553	5,553
Drug Free School	-	-	7,776	7,776
Debt Service Payment	-	3,987,146	-	3,987,146
Capital Improvements	-	-	32,856	32,856
Student Activity	-	-	1,683	1,683
Student Wellness	-	-	64,528	64,528
Other	-	-	43,056	43,056
<i>Total Restricted</i>	<u>3,199</u>	<u>3,987,146</u>	<u>1,314,077</u>	<u>5,304,422</u>
<i>Assigned to</i>				
Uniform School Supplies	3,808	-	-	3,808
Extracurricular Activities	20,632	-	-	20,632
Purchases on Order:				
Instructional Services	18,441	-	-	18,441
Support Services	175,487	-	-	175,487
<i>Total Assigned</i>	<u>218,368</u>	<u>-</u>	<u>-</u>	<u>218,368</u>
<i>Unassigned (Deficit)</i>	<u>363,085</u>	<u>-</u>	<u>(1,782,749)</u>	<u>(1,419,664)</u>
<b>Total Fund Balances</b>	<u><u>\$ 584,652</u></u>	<u><u>\$ 3,987,146</u></u>	<u><u>\$ (460,355)</u></u>	<u><u>\$ 4,111,443</u></u>

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 (CONTINUED)**

**NOTE 7: INTERFUND TRANSACTIONS**

***Interfund Balances***

Interfund balances at June 30, 2021, consisted of the following:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General Fund</u>	<u>Bond Retirement</u>	
<u>Other Governmental Funds:</u>			
Other Grants	\$ 65,000	\$ -	\$ 65,000
Public Preschool	35,200	-	35,200
SchoolNet, Professional Development	1,050	-	1,050
Alternative Schools	200	-	200
Elementary and Secondary School Emergency Relief	105,000	-	105,000
21st Century	67,000	-	67,000
CRF-Urban DS	17,059	-	17,059
Title VI-B	506,494	-	506,494
Technology II-D Grant	4,250	-	4,250
Title I School Improvement	132,900	-	132,900
Title I	504,970	-	504,970
Preschool Grant	10,600	-	10,600
Classroom Size Reduction	183,600	-	183,600
Building	-	200,000	200,000
Total	<u>\$ 1,633,323</u>	<u>\$ 200,000</u>	<u>\$ 1,833,323</u>

These loans were made to support programs and projects in the various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year. The Bond Retirement fund issued manuscript debt to the Building fund in the amount of \$200,000 in anticipation of the issuance of bonds, for the purpose of improving the Transportation Center including furniture and equipment and site improvements.

***Interfund Transfers***

Interfund transfers for the fiscal year ended June 30, 2021, were as follows:

<u>Transfers To</u>	<u>Transfers From General Fund</u>
<u>Other Governmental Funds:</u>	
District Managed Student Activity	\$ 205,000
IDEA Preschool Grant	6,000
Building	20,000
Total	<u>\$ 231,000</u>

The transfers from the General Fund to nonmajor special revenue and capital projects funds were made to move unrestricted balances to support programs and projects accounted for in other funds.

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

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**NOTE 8: DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District 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 public deposits that the Board has 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 deposits are deposits of interim monies. 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal and Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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NOTE 8: **DEPOSITS AND INVESTMENTS** (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

At June 30, 2021, the carrying amount of the School District's deposits was \$896,184, which includes \$1,150 of cash on hand. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of June 30, 2021, \$688,607 of the School District's bank balance of \$782,629 was covered by Federal Depository Insurance and \$56,413 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name, and \$37,609 was uninsured and uncollateralized. The School District's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to and deposited either with the School District or 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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the School District's financial institutions had enrolled in OPCS as of June 30, 2021.

***Investments***

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The table on the following page identifies the School District's recurring fair value measurement as of June 30, 2021. Star Ohio is reported at its net asset value. All other investments of the School District are valued using quoted market prices (Level 1 and 2 inputs).

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 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

NOTE 8: **DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

As of June 30, 2021, the School District had the following investments:

Investment Type	Measurement Value	Maturity	Standard and Poors Rating	Percentage of Total Investments
Federal Home Loan Bank	\$ 139,307	Less than five years	AA+	2.15%
Federal Home Loan Mortgage Corporation Notes	84,342	Less than five years	AA+	1.30%
Federal Farm Credit Bank	209,376	Less than five years	AA+	3.24%
Commercial Paper	779,623	Less than one year	A-1	12.06%
Negotiable CD's	1,179,792	Less than five years	N/A	18.25%
Money Market Mutual Fund	85,375	On Demand	N/A	1.32%
STAR Ohio	3,988,556	On Demand	AAAm	61.68%
<b>Total Investments</b>	<u><u>\$ 6,466,371</u></u>			

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** – Ohio law requires that Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes, U.S. Treasury Note, commercial paper and money market mutual fund are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District’s investments in negotiable certificates of deposit were fully covered by Federal Depository Insurance. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk** – The School District places no limit on the amount it may invest in any one issuer.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2021, the School District had no exposure to foreign currency risk.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
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(CONTINUED)**

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**NOTE 9: PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2021, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2021, was \$2,059,011 in the General Fund, \$23,233 in the Classroom Facilities Maintenance Special Revenue Fund, \$339,420 in the Bond Retirement Fund, and \$16,218 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2020, was \$1,702,484 in the General Fund, \$32,606 in the Classroom Facilities Maintenance Special Revenue Fund, \$280,648 in the Bond Retirement Fund, and \$32,620 in the Permanent Improvement Capital Projects Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

NOTE 9: **PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 303,158,590	95.41%	\$ 302,150,970	95.07%
Public Utility Personal	14,580,660	4.59%	15,653,320	4.93%
Total	<u>\$ 317,739,250</u>	<u>100.00%</u>	<u>\$ 317,804,290</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of Assessed Valuation	\$ 80.06		\$ 78.51	

NOTE 10: **RECEIVABLES**

Receivables at June 30, 2021, consisted of taxes, payments in lieu of taxes, accounts, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amount
Early Childhood Education	\$ 26,636
Title IV-A Student Support and Academic Enrichment	5,026
Special Education part B-IDEA	145,335
Early Literacy	4,129
Title I-A Improving Basic Programs	535,840
Early Childhood Special Education, IDEA	1,882
Title II-A Improving Teacher Quality	10,710
SPDG Parent, Community, and Educator Collaboration	501
6B IDEA Restoration	5,736
ESSER	278,478
21ST Century	80,897
RemotEDX	91,150
Other Grants	32,645
Shared Income Tax	117,555
SERS True-up	41,259
Total Intergovernmental Receivable	<u>\$ 1,377,779</u>



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

NOTE 10: **RECEIVABLES** (Continued)

***PILOT Receivable***

According to State law, the City of Garfield Heights has established several tax increment financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvements have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The School District agrees to accept a portion of the service payments as compensation for the likely loss of future property tax increases.

NOTE 11: **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,216,751	\$ -	\$ -	\$ 1,216,751
Construction in Progress	2,751,185	690,228	(2,877,705)	563,708
Total Capital Assets, not being depreciated	<u>3,967,936</u>	<u>690,228</u>	<u>(2,877,705)</u>	<u>1,780,459</u>
Capital Assets, being depreciated:				
Land Improvements	1,774,197	13,628	-	1,787,825
Buildings and Improvements	69,030,562	2,877,705	-	71,908,267
Furniture and Equipment	3,969,040	127,596	-	4,096,636
Vehicles	1,842,133	92,400	(59,405)	1,875,128
Total Capital Assets, being depreciated	<u>76,615,932</u>	<u>3,111,329</u>	<u>(59,405)</u>	<u>79,667,856</u>
Less Accumulated Depreciation:				
Land Improvements	(1,420,687)	(65,721)	-	(1,486,408)
Buildings and Improvements	(27,631,947)	(1,718,720)	-	(29,350,667)
Furniture and Equipment	(2,659,945)	(169,514)	-	(2,829,459)
Vehicles	(1,460,223)	(117,461)	53,834	(1,523,850)
Total Accumulated Depreciation	<u>(33,172,802)</u>	<u>(2,071,416)</u>	<u>53,834</u>	<u>(35,190,384)</u>
Total Capital Assets being depreciated, Net	<u>43,443,130</u>	<u>1,039,913</u>	<u>(5,571)</u>	<u>44,477,472</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 47,411,066</u>	<u>\$ 1,730,141</u>	<u>\$ (2,883,276)</u>	<u>\$ 46,257,931</u>

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (CONTINUED)**

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NOTE 11: **CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,801,289
Vocational	4,035
Supporting Services:	
Instructional Staff	37,933
Board of Education	25,353
Administration	226
Operation and Maintenance of Plant	58,209
Pupil Transportation	91,630
Operation of Food Service	29,632
Extracurricular Activities	23,109
<b>Total Depreciation Expense</b>	<b><u>\$ 2,071,416</u></b>

NOTE 12: **RISK MANAGEMENT**

***Workers' Compensation***

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Property and Liability***

Property (buildings and contents), boiler and machinery insurance, and casualty and fleet insurance, are provided through the Netherlands Insurance Company. Blanket limit for the property insurance is \$151,065,845 with a \$5,000 deductible. For the casualty and fleet insurance, there is a combined single limit of \$1,000,000, with \$1,000 comprehensive and \$1,000 collision deductibles. The School District also maintains a variety of liability insurance coverages with varying deductibles, including public official and employee liability insurance coverage. The renewal date is July 1, 2021.

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

**NOTE 13: LONG-TERM LIABILITIES**

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Principal Outstanding 6/30/2020	Additions	Deductions	Principal Outstanding 6/30/2021	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Energy Conservation Improvement Bonds - 2006					
Serial Bonds	\$ 95,000	\$ -	\$ (95,000)	\$ -	\$ -
Premium on Bond	1,511	-	(1,511)	-	-
Total Energy Conservation Improvement Bonds - 2006	<u>96,511</u>	<u>-</u>	<u>(96,511)</u>	<u>-</u>	<u>-</u>
Refunding School Improvement Bonds - 2012					
Serial Bonds- 6,820,000 @ 2%-2.75%	4,765,000	-	(820,000)	3,945,000	830,000
Premium on Bond	40,160	-	(6,301)	33,859	-
Total Refunded Bonds - 2012	<u>4,805,160</u>	<u>-</u>	<u>(826,301)</u>	<u>3,978,859</u>	<u>830,000</u>
Refunding School Improvement Bonds - 2015					
Serial Bonds - 18,020,000 @ .65% - 3.1%	14,210,000	-	(2,200,000)	12,010,000	2,365,000
Premium on CAB	747,884	-	(149,576)	598,308	-
Total Refunded Bonds - 2015	<u>14,957,884</u>	<u>-</u>	<u>(2,349,576)</u>	<u>12,608,308</u>	<u>2,365,000</u>
Refunding School Improvement Bonds - 2016					
Serial Bonds - 7,920,000 @ 1%-3%	5,970,000	-	(60,000)	5,910,000	60,000
Premium on Bond	354,082	-	(59,014)	295,068	-
Total Refunded Bonds - 2016	<u>6,324,082</u>	<u>-</u>	<u>(119,014)</u>	<u>6,205,068</u>	<u>60,000</u>
<i>Total General Obligation Bonds</i>	<u>26,183,637</u>	<u>-</u>	<u>(3,391,402)</u>	<u>22,792,235</u>	<u>3,255,000</u>
<b>Net Pension Liability</b>					
SERS	10,596,796	1,243,389	-	11,840,185	-
STRS	39,593,512	2,655,382	-	42,248,894	-
<i>Total Net Pension Liability</i>	<u>50,190,308</u>	<u>3,898,771</u>	<u>-</u>	<u>54,089,079</u>	<u>-</u>
<b>Net OPEB Liability</b>					
SERS	4,557,038	-	(652,075)	3,904,963	-
<i>Total Net OPEB Liability</i>	<u>4,557,038</u>	<u>-</u>	<u>(652,075)</u>	<u>3,904,963</u>	<u>-</u>
<b>Other Long-term Obligations</b>					
Compensated Absences	6,347,824	693,139	(225,740)	6,815,223	603,959
Capital leases	2,881,116	433,623	(179,873)	3,134,866	254,513
<i>Total Other Long-term Obligations</i>	<u>9,228,940</u>	<u>1,126,762</u>	<u>(405,613)</u>	<u>9,950,089</u>	<u>858,472</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 90,159,923</u>	<u>\$ 5,025,533</u>	<u>\$ (4,449,090)</u>	<u>\$ 90,736,366</u>	<u>\$ 4,113,472</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
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NOTE 13: **LONG-TERM LIABILITIES** (Continued)

The School District pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. For additional information related to pension and OPEB see Notes 17 and 18. General obligation bonds will be paid from the General Obligation Bond Retirement Fund. Compensated absences will be paid from the General Fund and the Food Service, Other Grants, Auxiliary Services and Public Preschool Special Revenue funds. Capital leases will be paid from the General Fund, the Permanent Improvement and Building Capital Projects Funds, and the Construction Maintenance Special Revenue Fund.

***2006 Energy Conservation Improvement Bonds***

On July 14, 2005, the School District issued \$2,050,000 energy conservation improvement bonds for the purpose of installing, modifying and remodeling school buildings to conserve energy. The bonds were issued at a premium of \$83,354. The bonds mature on June 1 and December 1 of each of the years 2005 through 2020. Interest payments of 4.8 percent per year are due on June 1 and December 1 of each year, until the principal amount is paid.

***2012 Refunding Bonds***

On July 31, 2012, the School District issued general obligation bonds in the amount of \$6,894,719 for the purpose of refunding \$6,895,000 of the School District's outstanding 2004 school improvement bonds. The bond issue consists of \$6,820,000 of serial bonds and \$74,719 of capital appreciation bonds. The bonds were issued with interest payments varying from 2 percent to 2.75 percent. The bonds were issued for a 15-year period with final maturity during fiscal year 2027. The bonds will be retired through the Bond Retirement Fund.

The bonds were sold at a premium of \$616,714. Proceeds of \$7,362,218 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$6,465,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements.

The serial bonds were issued for a twelve-year period with a final maturity date of December 15, 2026.

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NOTE 13: **LONG-TERM LIABILITIES** (Continued)

***2015 Refunding Bonds***

On June 4, 2015, the School District issued \$19,154,897 in general obligation bonds for the purpose of refunding \$19,155,000 of outstanding 2006 refunding bonds in order to take advantage of lower interest rates. The bond issue consists of \$18,020,000 of serial bonds and \$1,134,897 of capital appreciation bonds. The bonds were issued with interest rates varying from 0.65 percent to 3.1 percent. The bonds were issued for a 10-year period with final maturity during fiscal year 2025. The bonds will be retired through the Bond Retirement Fund.

Net proceeds of \$20,427,169 (including a \$1,495,764 premium and after payments of \$223,492 in issuance costs) and the bond retirement fund contribution of \$478,875 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2006 refunding bonds. As a result, \$19,155,000 of these bonds are considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$729,808, the School District in effect decreased its aggregated debt service payments by \$1,263,120 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$619,738.

The serial bonds were issued for a ten-year period with a final maturity date of December 15, 2024.

The capital appreciation bonds were originally sold at a discount of \$1,635,103, which was accreted annually until the point of maturity of the capital appreciation bonds, which was December 15, 2017.

***2016 Refunding Bonds***

On October 19, 2016, the School District issued general obligation bonds in the amount of \$7,920,000 for the purpose of refunding \$8,190,000 of the School District's outstanding 2006 refunding bonds. The bond issue consists of \$7,920,000 of serial bonds. The bonds were issued with interest payments varying from 1 percent to 3 percent. The bonds were issued for a 10-year period with final maturity during fiscal year 2027. The bonds will be retired through the Bond Retirement Fund.

Net proceeds of \$8,359,656 (including a \$590,138 premium and after payments of \$150,482 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2006 refunding bonds. As a result, \$8,190,000 of these bonds are considered defeased and the liability for the refunding bonds has been removed from the School District's financial statements. On June 30, 2021, \$6,355,000 of the defeased bonds are still outstanding.

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NOTE 13: **LONG-TERM LIABILITIES** (Continued)

*2016 Refunding Bonds* (Continued)

The refunding will result in the recognition of an accounting gain of \$113,394, and the School District in effect decreased its aggregated debt service payments by \$1,369,395 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,235,856.

The serial bonds were issued for a ten-year period with a final maturity date of December 15, 2026.

The overall debt margin of the School District as of June 30, 2021, was \$10,724,532 with an unvoted debt margin of \$317,804. The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the nine percent limit to finance additional facilities, the State Department of Education may declare that school district a “special needs” school district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The Garfield Heights City School District was determined to be a “special needs” school district by the State Superintendent.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30	School Improvement Bonds	
	Serial Bonds	
	Principal	Interest
2022	\$ 3,255,000	\$ 585,142
2023	3,890,000	490,335
2024	3,850,000	380,645
2025	4,090,000	262,611
2026	4,430,000	134,763
2027	2,350,000	34,469
Total	<u>\$ 21,865,000</u>	<u>\$ 1,887,965</u>

NOTE 14: **CAPITAL LEASES**

*2019 Lighting and Improvements Lease*

In 2019, the School District entered into a capital lease and is secured by LED lighting upgrades to various school facilities, electrical transformer upgrade, ceiling repair, construction of a new two bay school bus garage and renovations to the bus transportation center. As part of this agreement, Key Bank, as the lessor, deposited \$2,634,398 into the School District’s account. At June 30, 2021, the escrow account had a zero balance, and \$2,877,705 has been recorded as addition to capital assets.

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 (CONTINUED)**

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NOTE 14: **CAPITAL LEASES** (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021.

	Amounts
2022	\$ 238,503
2023	238,503
2024	238,503
2025	238,503
2026	238,503
2027-2031	1,192,516
2032-2034	596,258
Total Minimum Lease Payments	2,981,289
Less: Amount Representing Interest	(680,228)
Present Value of Minimum Lease Payments	\$ 2,301,061

As of June 30, 2021, the accumulated depreciation amount for the lease was \$59,952 and the book value was \$2,817,753.

***2020 Transformer Lease***

In 2020, the School District entered into a capital lease for a transformer, and in 2021, the School District entered into a lease agreement for an additional amount of \$433,623. As part of this agreement, De Lage Landen Public Finance LLC, as the lessor, deposited all proceeds into an escrow account for the School District. This lease is secured by all purchased equipment. In the event of a default, the School District may have to pay an accelerated interest charge, return the equipment to the lessor, and pay all costs associated with the remedy of default. At June 30, 2021, the market value of the escrow account is \$353,777, and \$690,228 has been recorded as construction in progress.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021.

	Amounts
2022	\$ 130,041
2023	130,041
2024	130,041
2025	130,041
2026	130,041
2027-2028	260,085
Total Minimum Lease Payments	910,290
Less: Amount Representing Interest	(76,485)
Present Value of Minimum Lease Payments	\$ 833,805

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NOTE 15: **JOINTLY GOVERNED ORGANIZATIONS**

*Connect*

Connect (formerly known as North Coast Council) is a jointly governed computer service bureau owned and operated by 3 educational service centers and 26 public school districts. The primary function of Connect is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost-effective shared technology solutions. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Connect is wholly owned by its member districts and is governed by a Board of Directors. Connect's current membership includes the Educational Service Center of Northeast Ohio, Educational Service Center of Lorain County, Educational Service Center of Medina County, and 26 school districts in Cuyahoga, Lorain, and Medina counties. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Educational Service Center of Cuyahoga County serves as the fiscal agent of Connect. The degree of control exercised by any participating school district is limited to its representation on the Board. Each school district supports Connect based upon a per pupil charge dependent upon the software packages used.

In fiscal year 2021, the School District paid \$124,249 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

*Cuyahoga Valley Career Center*

The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possess its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2021. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

*Ohio Schools' Council*

The Ohio Schools Council (Council) is a jointly governed organization among 254 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June.



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NOTE 15: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

*Ohio Schools' Council* (Continued)

The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2021, the School District paid \$26,369 to the Council.

Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. There are currently 165 participants in the program including the Garfield Heights City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 16: **PUBLIC ENTITY RISK POOL**

*Suburban Health Consortium*

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors.

The Board of Directors also sets all premiums and other amounts to be paid by the Consortium members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

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NOTE 16: **PUBLIC ENTITY RISK POOL** (Continued)

*Suburban Health Consortium* (Continued)

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program.

Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124-5974.

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NOTE 17: **DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

The net pension liability represents the School District’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 School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District 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 - School Employees Retirement System (SERS)***

***Plan Description*** –School District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Plan Description – School Employees Retirement System (SERS)* (Continued)

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was the entire 14 percent.

The School District's contractually required contribution to SERS was \$858,437 for fiscal year 2021. Of this amount \$82,084 is reported as an intergovernmental payable.

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Plan Description – State Teachers Retirement System (STRS)*

School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 13.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan.

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Plan Description – State Teachers Retirement System (STRS)* (Continued)

The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contributions to STRS were \$3,042,315 for fiscal year 2021. Of this amount \$516,764 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 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.1771099%	0.17903951%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.1790113%</u>	<u>0.17460788%</u>	
Change in Proportionate Share	<u>0.0019014%</u>	<u>-0.00443163%</u>	
Proportionate share of the Net Pension			
Liability	\$ 11,840,185	\$ 42,248,894	\$ 54,089,079
Pension Expense	\$ 1,343,492	\$ 5,336,343	\$ 6,679,835

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 23,000	\$ 94,798	\$ 117,798
Changes of assumptions	-	2,267,948	2,267,948
Net difference between projected and actual earnings on pension plan investments	751,609	2,054,566	2,806,175
Changes in proportion and differences between contributions and proportionate share of contributions	75,612	223,837	299,449
School District contributions subsequent to the measurement date	858,437	3,042,315	3,900,752
Total Deferred Outflows of Resources	<u>\$ 1,708,658</u>	<u>\$ 7,683,464</u>	<u>\$ 9,392,122</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 270,153	\$ 270,153
Changes in proportion and differences between contributions and proportionate share of contributions	4,444	1,022,917	1,027,361
Total Deferred Inflows of Resources	<u>\$ 4,444</u>	<u>\$ 1,293,070</u>	<u>\$ 1,297,514</u>

\$3,900,752 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ 42,309	\$ 1,245,457	\$ 1,287,766
2023	254,864	474,760	729,624
2024	313,288	883,955	1,197,243
2025	235,316	743,907	979,223
Total	<u>\$ 845,777</u>	<u>\$ 3,348,079</u>	<u>\$ 4,193,856</u>

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 (CONTINUED)**

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Actuarial Assumptions – SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

The mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.



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 (CONTINUED)**

NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Actuarial Assumptions – SERS* (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ 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. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
International Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.50 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 long-term assumed investment rate of return (7.50 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, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District’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 7.50 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Actuarial Assumptions – SERS* (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 16,219,607	\$ 11,840,185	\$ 8,165,766

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

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020.

*Actuarial Assumptions – STRS*

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
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 (CONTINUED)**

NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Actuarial Assumptions – STRS* (Continued)

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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NOTE 17: **DEFINED BENEFIT PENSION PLANS** (Continued)

*Actuarial Assumptions – STRS* (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 60,155,070	\$ 42,248,894	\$ 27,074,902

NOTE 18: **DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

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

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

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

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

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Net OPEB Liability/Asset* (Continued)

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

***Plan Description – School Employees Retirement System (SERS)***

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Plan Description – School Employees Retirement System (SERS) (Continued)*

Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$104,306 for fiscal year 2021, and the full amount is reported as an intergovernmental payable.

*Plan Description - State Teachers Retirement System (STRS)*

**Plan Description** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability and net OPEB asset were measured as of June 30, 2020, and the total OPEB liabilities and used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability and net OPEB asset were based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.1812095%	0.17903951%	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	<u>0.1796767%</u>	<u>0.17460788%</u>	
Change in Proportionate Share	<u>-0.0015328%</u>	<u>-0.00443163%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 3,904,963	\$ (3,068,731)	\$ 836,232
OPEB Expense	\$ (70,621)	\$ (166,253)	\$ (236,874)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 51,288	\$ 196,631	\$ 247,919
Changes of assumptions	665,662	50,657	716,319
Net difference between projected and actual earnings on OPEB plan investments	43,998	107,547	151,545
Changes in proportion and differences between contributions and proportionate share of contributions	90,518	69,975	160,493
School District contributions subsequent to the measurement date	<u>104,306</u>	<u>-</u>	<u>104,306</u>
Total Deferred Outflows of Resources	<u>\$ 955,772</u>	<u>\$ 424,810</u>	<u>\$ 1,380,582</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 1,985,947	\$ 611,247	2,597,194
Changes of assumptions	98,356	2,914,785	3,013,141
Changes in proportion and differences between contributions and proportionate share of contributions	<u>38,605</u>	<u>17,451</u>	<u>56,056</u>
Total Deferred Inflows of Resources	<u>\$ 2,122,908</u>	<u>\$ 3,543,483</u>	<u>\$ 5,666,391</u>

\$104,306 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (249,096)	\$ (776,231)	\$ (1,025,327)
2023	(245,911)	(703,433)	(949,344)
2024	(246,430)	(677,902)	(924,332)
2025	(262,983)	(668,532)	(931,515)
2026	(196,246)	(143,258)	(339,504)
Thereafter	(70,776)	(149,317)	(220,093)
Total	\$ (1,271,442)	\$ (3,118,673)	\$ (4,390,115)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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



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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Actuarial Assumptions – SERS* (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Actuarial Assumptions – SERS* (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Actuarial Assumptions – SERS* (Continued)

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$ 4,779,577	\$ 3,904,963	\$ 3,209,646

  

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$ 3,074,861	\$ 3,904,963	\$ 5,015,021

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

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020 actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	
Medicare	11.87 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Actuarial Assumptions – STRS* (Continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

NOTE 18: **DEFINED BENEFIT OPEB PLANS** (Continued)

*Actuarial Assumptions – STRS* (Continued)

**Sensitivity of the School District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** – The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$ 2,669,995	\$ 3,068,731	\$ 3,407,043
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 3,386,043	\$ 3,068,731	\$ 2,682,197

NOTE 19: **OTHER EMPLOYEE BENEFITS**

*Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

**Vacation Leave** - Classified employees accumulate vacation leave depending upon length of service. Vacation days are credited to classified employees each July 1<sup>st</sup> of the contract year. Accumulated unused vacation time is paid to classified employees upon termination of employment with some restrictions. Teachers do not earn vacation time.

**Sick Leave** - Each professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth (1 1/4) days for each calendar month under contract. An employee is paid a severance benefit in accordance with negotiated agreement not to exceed 77 days, calculated at current wage per diem rates, upon retirement.

**Personal Leave** - All employees are entitled to three days of personal leave, with pay, each school year. The three days of personal leave cannot be carried forward into the next fiscal year. Unused personal leave rolls over to sick leave in the next fiscal year.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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NOTE 19: **OTHER EMPLOYEE BENEFITS** (Continued)

*Life Insurance Benefits*

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Schools' Council. Coverage is \$10,000 for part-time classified employees, \$20,000 for full time classified employees, and \$50,000 for the certified qualified and exempt staff not including administrators whose life insurance amounts are based on their salary.

*Health Insurance Benefits*

The School District provides employee medical, prescription drug, dental, and vision insurance through Medical Mutual of Ohio. Certified qualified, exempt and administrative employees contribute thirteen percent of their monthly premium, and classified employees contribute eleven percent of their monthly premium. The insurance plans includes deductibles for network family or single coverage.

NOTE 20: **CONTINGENCIES**

*Grants*

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

*School Foundation*

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

As of the date of this report, all ODE adjustments for fiscal year 2021 are finalized.

*Litigation*

The School District is not a party to any legal proceedings.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

**NOTE 21: SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

	<u>Capital Improvements Reserve</u>
Set-Aside Balance as of June 30, 2020	\$ -
Current Year Set-Aside Requirements	638,730
Qualifying Offsets	(211,014)
Qualifying Disbursements	(1,296,577)
Total	<u>\$ (868,861)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>
Set-Aside Balance as of June 30, 2021	<u>\$ -</u>

**NOTE 22: ENCUMBRANCES**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 193,928
Nonmajor governmental funds	594,488
	<u>\$ 788,416</u>

**NOTE 23: TAX ABATEMENTS**

The City of Garfield Heights has entered into agreements with third parties that abate taxes otherwise payable to the District. The City provides tax abatements through Community Reinvestment Area programs. Pursuant to Ohio Revised Code Chapter 5709, the City established two Community Reinvestment Area Program districts targeting specific portions of the City for development and redevelopment. The City provides administrative approval of tax abatement for qualifying investments. The School District's value of the property taxes forgone amounted to \$101,184 (tax year 2019, collection year 2020) and \$404,591 (tax year 2020, collection year 2021).

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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**NOTE 24: OPERATING LEASE**

The School District leases through Lenovo various, computers and electronic equipment and software throughout the School District. Total annual lease payment for fiscal ended June 30, 2021 was \$109,467 with the last payment due in fiscal year 2022 in the amount of \$109,306.

**NOTE 25: COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 26: SUBSEQUENT EVENT NOTE**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$6,138,537 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST EIGHT (1) FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1790113%	0.1771099%	0.1776589%	0.1742643%	0.1825635%	0.1846030%	0.183237%	0.155985%
School District's Proportionate Share of the Net Pension Liability	\$ 11,840,185	\$ 10,596,796	\$ 10,174,855	\$ 10,411,907	\$ 13,361,964	\$ 10,533,627	\$ 9,273,521	\$ 9,275,906
School District's Covered Payroll	\$ 6,362,657	\$ 6,150,356	\$ 5,892,348	\$ 5,658,871	\$ 5,650,514	\$ 5,590,463	\$ 5,326,335	\$ 4,540,715
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.09%	172.30%	172.68%	183.99%	236.47%	188.42%	174.11%	204.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST EIGHT (1) FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.17460788%	0.17903951%	0.18138511%	0.17924913%	0.17841013%	0.17462611%	0.17250775%	0.17250775%
School District's Proportionate Share of the Net Pension Liability	\$ 42,248,894	\$ 39,593,512	\$ 39,882,514	\$ 42,581,015	\$ 59,719,248	\$ 48,261,550	\$ 41,959,856	\$ 49,982,305
School District's Covered Payroll	\$ 21,028,614	\$ 21,041,029	\$ 20,954,000	\$ 19,749,100	\$ 18,973,843	\$ 18,250,150	\$ 17,812,092	\$ 16,590,738
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.91%	188.17%	190.33%	215.61%	314.75%	264.44%	235.57%	301.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

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

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 858,437	\$ 890,772	\$ 830,298	\$ 795,467	\$ 792,242	\$ 791,072	\$ 736,823	\$ 738,230	\$ 628,435	\$ 666,775
Contributions in Relation to the Contractually Required Contribution	<u>(858,437)</u>	<u>(890,772)</u>	<u>(830,298)</u>	<u>(795,467)</u>	<u>(792,242)</u>	<u>(791,072)</u>	<u>(736,823)</u>	<u>(738,230)</u>	<u>(628,435)</u>	<u>(666,775)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 6,131,693	\$ 6,362,657	\$ 6,150,356	\$ 5,892,348	\$ 5,658,871	\$ 5,650,514	\$ 5,590,463	\$ 5,326,335	\$ 4,540,715	\$ 4,957,435
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 3,042,315	\$ 2,944,006	\$ 2,945,744	\$ 2,933,560	\$ 2,764,874	\$ 2,656,338	\$ 2,555,021	\$ 2,315,572	\$ 2,156,796	\$ 2,158,654
Contributions in Relation to the Contractually Required Contribution	<u>(3,042,315)</u>	<u>(2,944,006)</u>	<u>(2,945,744)</u>	<u>(2,933,560)</u>	<u>(2,764,874)</u>	<u>(2,656,338)</u>	<u>(2,555,021)</u>	<u>(2,315,572)</u>	<u>(2,156,796)</u>	<u>(2,158,654)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 21,730,821	\$ 21,028,614	\$ 21,041,029	\$ 20,954,000	\$ 19,749,100	\$ 18,973,843	\$ 18,250,150	\$ 17,812,092	\$ 16,590,738	\$ 16,605,031
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET OPEB LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST FIVE (1) FISCAL YEARS**

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.1796767%	0.1812095%	0.1803846%	0.1770446%	0.1849735%
School District's Proportionate Share of the Net OPEB Liability	\$ 3,904,963	\$ 4,557,038	\$ 5,004,357	\$ 4,751,412	\$ 5,272,428
School District's Covered Payroll	\$ 6,362,657	\$ 6,150,356	\$ 5,892,348	\$ 5,658,871	\$ 5,650,514
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	61.37%	74.09%	84.93%	83.96%	93.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET OPEB LIABILITY/ASSET  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST FIVE (1) FISCAL YEARS**

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability/Asset	0.17460788%	0.17903951%	0.18138511%	0.17924913%	0.17841013%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (3,068,731)	\$ (2,965,324)	\$ (2,914,674)	\$ 6,993,640	\$ 9,541,420
School District's Covered Payroll	\$ 21,028,614	\$ 21,041,029	\$ 20,954,000	\$ 19,749,100	\$ 18,973,843
School District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.59%	-14.09%	-13.91%	35.41%	50.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

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

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	\$ 104,306	\$ 86,657	\$ 139,982	\$ 127,578	\$ 115,104	\$ 93,449	\$ 45,842	\$ 103,554	\$ 81,627	\$ 101,628
Contributions in Relation to the Contractually Required Contribution	<u>(104,306)</u>	<u>(86,657)</u>	<u>(139,982)</u>	<u>(127,578)</u>	<u>(115,104)</u>	<u>(93,449)</u>	<u>(45,842)</u>	<u>(103,554)</u>	<u>(81,627)</u>	<u>(101,628)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 6,131,693	\$ 6,362,657	\$ 6,150,356	\$ 5,892,348	\$ 5,658,871	\$ 5,650,514	\$ 5,590,463	\$ 5,326,335	\$ 4,540,715	\$ 4,957,435
OPEB Contributions as a Percentage of Covered Payroll (1)	1.70%	1.36%	2.28%	2.17%	2.03%	1.65%	0.82%	1.94%	1.80%	2.05%

(1) Includes Surcharge

See accompanying notes to the required supplementary information



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
 STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,121	\$ 165,907	\$ 166,050
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(178,121)	(165,907)	(166,050)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 21,730,821	\$ 21,028,614	\$ 21,041,029	\$ 20,954,000	\$ 19,749,100	\$ 18,973,843	\$ 18,250,150	\$ 17,812,092	\$ 16,590,738	\$ 16,605,031
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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***Net Pension Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2021.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018-2020.

***Changes in assumptions- SERS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

***Changes in benefit terms – STRS***

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

***Changes in assumptions – STRS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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***Net OPEB Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2020.

***Changes in Assumptions – SERS***

Amounts reported for fiscal years 2018-2021 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**Municipal Bond Index Rate:**

Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation**

Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Medicare Trend Assumption**

**Medicare**

Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

**Pre - Medicare**

Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

***Changes in Assumptions – STRS***

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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For fiscal year 2020 and 2021, the health care cost trend rates were modified.

***Changes in Benefit Terms – STRS***

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal AL Number	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Summer Food Service Program	10.559	\$513,396	\$61,682
Summer Food Service Program - COVID-19	10.559	35,171	0
Total Nutrition Cluster		<u>548,567</u>	<u>61,682</u>
<b>Total U.S. Department of Agriculture</b>		<u>548,567</u>	<u>61,682</u>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Coronavirus Relief Funds - Urban School District - COVID-19	21.019	178,606	0
Coronavirus Relief Funds - Broadband Connectivity - COVID-19	21.019	63,740	0
Total Coronavirus Relief Funds		<u>242,346</u>	<u>0</u>
<b>Total U.S. Department of Treasury</b>		<u>242,346</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies - 2020	84.010	269,123	0
Title I Grants to Local Educational Agencies - 2021	84.010	1,416,113	0
Title I Grants to Local Educational Agencies- Non-Competitive Supplemental Student Instruction	84.010	6,916	0
Total Title I		<u>1,692,152</u>	<u>0</u>
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B) - 2020	84.027	90,455	0
Special Education Grants to States (IDEA, Part B) - 2021	84.027	1,048,476	0
Special Education Grants to States (IDEA, Part B) - Restoration	84.027	5,230	0
Special Education Grants to States (IDEA, Part B)- Early Literacy SSIP - 2020	84.027	2,713	0
Special Education Grants to States (IDEA, Part B)- Early Literacy SSIP - 2021	84.027	11,181	0
Total Special Education Grants to States (IDEA, Part B)		<u>1,158,055</u>	<u>0</u>
Special Education Preschool Grants (IDEA Preschool) - 2020	84.173	4,355	0
Special Education Preschool Grants (IDEA Preschool) - 2021	84.173	19,560	0
Total Special Education Preschool Grants (IDEA Preschool)		<u>23,915</u>	<u>0</u>
Total Special Education Cluster		<u>1,181,970</u>	<u>0</u>
Twenty-First Century Community Learning Centers	84.287	103,378	0
Special Education - State Personnel Development Grants Program	84.323	561	0
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants- 2020	84.367	15,959	0
Supporting Effective Instruction State Grants- 2021	84.367	110,968	0
Total Supporting Effective Instruction State Grants		<u>126,927</u>	<u>0</u>
Student Support and Academic Enrichment Grants			
Student Support and Academic Enrichment Grants- 2020	84.424	19,111	0
Student Support and Academic Enrichment Grants- 2021	84.424	44,724	0
Total Student Support and Academic Enrichment Grants		<u>63,835</u>	<u>0</u>
Education Stabilization Funds			
Elementary and Secondary School Emergency Relief - ESSER I - COVID-19	84.425D	1,314,502	0
Elementary and Secondary School Emergency Relief - RemoteEDx - COVID-19	84.425D	2,600	0
Total Education Stabilization Funds		<u>1,317,102</u>	<u>0</u>
<b>Total U.S. Department of Education</b>		<u>4,485,925</u>	<u>0</u>
<b>Total</b>		<u><b>\$5,276,838</b></u>	<u><b>\$61,682</b></u>

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

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Garfield Heights City School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Garfield Heights City School District  
Cuyahoga County  
5640 Briarcliff Drive  
Garfield Heights, Ohio 44125

To the Board of Education:

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 Garfield Heights City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent period of the District.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 2, 2023



# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Garfield Heights City School District  
Cuyahoga County  
5640 Briarcliff Drive  
Garfield Heights, Ohio 44125

To the Board of Education:

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

We have audited the Garfield Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

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

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

***Basis for Qualified Opinion on Education Stabilization Fund***

As described in finding 2021-001 in the accompanying schedule of findings, the District did not comply with requirements regarding Equipment and Real Property Management applicable to its AL #84.425 Education Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Education Stabilization Fund***

In our opinion, except for the non-compliance described in the *Basis for Qualified Opinion on Education Stabilization Fund* paragraph, the Garfield Heights City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Education Stabilization Fund program for the year ended June 30, 2021.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the Garfield Heights City School District complied, in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary Schedule of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings, as item 2021-001.

Garfield Heights City School District  
Cuyahoga County  
Independent Auditor's Report On Compliance With Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 3

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 2, 2023

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified on Education Stabilization Fund, Unmodified on the Special Education Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs:</b>	Special Education Cluster  Education Stabilization Fund – AL #84.425
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

**3. FINDING FOR FEDERAL AWARDS**

**Identification and Documentation of Equipment Acquisitions – Noncompliance and Material Weakness**

<b>Finding Number:</b>	2021-001
<b>Assistance Listing Number and Title:</b>	AL # 84.425 – Education Stabilization Fund
<b>Federal Award Identification Number / Year:</b>	2021
<b>Federal Agency:</b>	United States Department of Education
<b>Compliance Requirement:</b>	Equipment and Real Property Management
<b>Pass-Through Entity:</b>	Ohio Department of Education
<b>Repeat Finding from Prior Audit?</b>	No

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. §§ 200.1 and 200.313(d). 2 C.F.R. § 200.1 defines equipment as tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. 2 C.F.R. § 200.313(d) indicates: Procedures for managing equipment whether acquired in whole or in part under Federal award, until disposition takes place will, as a minimum, meet the following standards: (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award for which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2) A physical inventory of the property must be taken and results reconciled with the property records at least once every two years. (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. (4) Adequate maintenance procedures must be developed to keep the property in good condition. (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

The District purchased air ionization units to be placed in each building's HVAC air handling units with AL #84.425D Elementary and Secondary School Emergency Relief Fund (ESSER) grant funds, and the units, including costs to install the units, met the definition of equipment in 2 C.F.R. §200.1. However, the District did not identify these units as equipment, as such, they did not maintain a listing of the description of the property, including the cost, acquisition date, location, etc. Additionally, since the units were not identified as equipment, the District did not have controls in place to ensure the equipment was maintained in accordance with 2 C.F.R. § 200.313(d), including ensuring the equipment is inspected every two years and ensuring there are adequate maintenance procedures in place to keep the property in good condition. This resulted in an opinion qualification on the District's Education Stabilization Fund major federal program.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

<b>3. FINDING FOR FEDERAL AWARDS</b>
--------------------------------------

**FINDING NUMBER 2021-001  
(Continued)**

**Identification and Documentation of Equipment Acquisitions – Noncompliance and Material Weakness (Continued)**

The District should review the requirements of 2 C.F.R. § 200.313(d) and ensure all required elements for maintaining Federal equipment are followed. The District should also start by compiling a list of equipment purchased with ESSER funds, with all necessary identifying information and should develop written procedures indicating how the District will ensure the equipment is safeguarded and will be maintained in good working order. Finally, the District should ensure the equipment is still functional and properly included on the equipment listing at least every two years, and maintain a written record of the inspection.

**Officials' Response:** The District will include the equipment purchased with ESSER funds on its updated fixed asset inventory as of June 30, 2022. In addition, procedures will be enacted to ensure that all future equipment purchased with federal funds will be properly recorded and shown the District's fixed asset inventory.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Payroll Bank Reconciliation- Significant Deficiency	Partially Corrected	Reissued as a management letter comment.

**Dr. Richard D. Reynolds**  
 Superintendent of Schools

**Allen D. Sluka**  
 Treasurer/CFO/Business Services

**Board of Education**

**Nichelle N. Daniels**  
 President

**Millette King, M.Ed, L.S.W.**  
 Vice President

**Joseph M. Juby**

**Heather Morrison**

**Ashley M. Thomas, M. Ed.**



**Board of Education Offices**  
 5640 Briarcliff Drive  
 Garfield Heights, Ohio 44125

Telephone: 216.475.8100  
 Facsimile: 216.475.1824





**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2021**

**Dr. Richard D. Reynolds**  
Superintendent of Schools

**Finding Number:**  
**Planned Corrective Action:**

2021-001  
The District will include the equipment purchased with ESSER funds on its updated fixed asset inventory as of June 30, 2022. In addition, procedures will be enacted to ensure that all future equipment purchased with federal funds will be properly recorded and shown the District's fixed asset inventory.

**Anticipated Completion Date:**  
**Responsible Contact Person:**

June 30, 2022  
Allen Sluka, Treasurer

**Allen D. Sluka**  
Treasurer/CFO/Business Services

**Board of Education**

**Nichelle N. Daniels**  
President

**Millette King, M. Ed., L.S.W.**  
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**Board of Education Offices**  
5640 Briarcliff Drive  
Garfield Heights, Ohio 44125

Telephone: 216.475.8100  
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# OHIO AUDITOR OF STATE KEITH FABER



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/28/2023**

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

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