



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2022**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 24 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.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

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

**Supplementary information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 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, 2022  
(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, 2022. 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 2022 are as follows:

- In total, net position increased by \$9,991,381.
- Revenues for governmental activities total \$58,695,825 during 2022. Of this total 72 percent consisted of general revenues and program revenues accounted for the balance of 28 percent.
- Program expenses total \$48,704,444. Instructional expenses made up 56 percent of this total while support services accounted for 36 percent. Other expenses rounded out the remaining 8 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 2022?" 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 of non-instructional services, 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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**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 2022 compared to fiscal year 2021:

**Table 1- Net Position**

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Current and other assets	\$ 42,925,745	\$ 37,264,581
Capital assets, net	45,171,248	46,257,931
<b>Total Assets</b>	<b>88,096,993</b>	<b>83,522,512</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferral on Refunding	774,375	956,837
Pension	11,254,848	9,392,122
OPEB	1,189,305	1,380,582
<b>Total Deferred Outflows of Resources</b>	<b>13,218,528</b>	<b>11,729,541</b>
<b>LIABILITIES</b>		
Current and other liabilities	6,875,212	6,634,325
Long-term liabilities:		
Due within one year	4,905,827	4,113,472
Due in more than one year:		
Net Pension Liability	28,987,171	54,089,079
Net OPEB Liability	3,421,703	3,904,963
Other Amounts	24,030,748	28,628,852
<b>Total Liabilities</b>	<b>68,220,661</b>	<b>97,370,691</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	18,758,534	16,738,831
Payment in Lieu of Taxes	248,239	91,618
Pension	23,808,087	1,297,514
OPEB	6,201,611	5,666,391
<b>Total Deferred Inflows of Resources</b>	<b>49,016,471</b>	<b>23,794,354</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	23,742,926	21,641,444
Restricted	6,501,629	6,003,651
Unrestricted	(46,166,166)	(53,558,087)
<b>Total Net Position</b>	<b>\$ (15,921,611)</b>	<b>\$ (25,912,992)</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 increased \$9,991,381 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, 2022, 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	\$	(15,921,611)
Add:		
Net Pension Liability		28,987,171
Net OPEB Liability		3,421,703
Deferred Inflows - Pension		23,808,087
Deferred Inflows - OPEB		6,201,611
Less:		
Net OPEB Asset		(3,698,088)
Deferred Outflows - Pension		(11,254,848)
Deferred Outflows - OPEB		(1,189,305)
Total Net Position without GASB 68 and GASB 75	<u>\$</u>	<u>30,354,720</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 2022 and 2021.

**Table 2- Changes in Net Position**

	Governmental Activities	
	2022	2021
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 616,033	\$ 773,017
Operating grants and contributions*	15,885,182	12,537,033
<b>Total Program Revenues</b>	<b>16,501,215</b>	<b>13,310,050</b>
General Revenues:		
Property taxes	22,567,113	20,694,075
Payments in lieu of taxes	465,730	412,753
Grants and entitlements not restricted to specific programs*	18,877,051	22,919,002
Investment income	(21,303)	12,956
Sale of Capital assets	-	2,929
Miscellaneous	306,019	537,566
<b>Total General Revenues</b>	<b>42,194,610</b>	<b>44,579,281</b>
<b>Total Revenues</b>	<b>58,695,825</b>	<b>57,889,331</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	18,723,796	21,054,778
Special	4,716,484	5,012,415
Vocational	-	44,363
Student Intervention Services	3,748,126	10,348,170
Supporting Services:		
Pupils	3,991,899	3,982,869
Instructional Staff	3,472,239	3,022,769
Board of Education	120,442	154,322
Administration	3,821,005	4,364,639
Fiscal Services	1,026,750	1,062,127
Business	523,232	476,016
Operation and Maintenance of Plant	3,693,732	4,491,500
Pupil Transportation	908,781	1,181,625
Central	82,790	1,105,683
Operation of Non-Instructional Services	967,953	1,180,263
Operation of Food Service	1,609,277	1,197,779
Extracurricular Activities	621,739	622,641
Interest and Fiscal Charges	676,199	730,796
<b>Total Expenses</b>	<b>48,704,444</b>	<b>60,032,755</b>
Change in Net Position	9,991,381	(2,143,424)
Net Position - Beginning of Year	(25,912,992)	(23,769,568)
<b>Net Position - End of Year</b>	<b>\$ (15,921,611)</b>	<b>\$ (25,912,992)</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 2022 due to accrual of delinquencies in advance for the fiscal year 2022. Operating grants and contributions increased mainly due to COVID related federal funding. Grants and Entitlements decreased due to changes made to the school funding model.

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 decreased by \$11,328,311 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 2022 program expenses under GASB 68 and 75	\$	48,704,444
Negative NPL expense under GASB 68		494,848
2022 contractually required contribution - Pension		3,959,213
Negative OPEB expense under GASB 75		289,351
2022 contractually required contribution - OPEB		96,769
Adjusted 2021 program expenses		53,544,625
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
Increase in program expenses	\$	(4,050,227)

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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
	2022	2021	2022	2021
Instruction	\$ 27,188,406	\$ 36,459,726	\$ 19,541,882	\$ 29,552,711
Supporting Services:				
Pupils and Instructional Staff	7,464,138	7,005,638	3,303,389	3,592,135
Board of Education, Administration, Business, and Fiscal Services	5,491,429	6,057,104	5,282,891	5,846,767
Operation and Maintenance of Plant	3,693,732	4,491,500	3,598,168	3,815,203
Pupil Transportation	908,781	1,181,625	91,926	1,100,368
Central	82,790	1,105,683	76,582	1,096,627
Operation of Non-Instructional Services	2,577,230	2,378,042	(878,908)	455,638
Extracurricular Activities	621,739	622,641	511,100	532,460
Interest and Fiscal Charges	676,199	730,796	676,199	730,796
<b>Total Cost of Services</b>	<b>\$ 48,704,444</b>	<b>\$ 60,032,755</b>	<b>\$ 32,203,229</b>	<b>\$ 46,722,705</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 \$57,661,935 and expenditures and other financials uses of \$56,387,774.

The General Fund had an increase in fund balance mainly due to decrease in Student Intervention Services, which was a result of the School District shifting various expenditures to the Elementary and Secondary School Emergency Relief Fund.

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

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 60 percent of total governmental revenue.



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (UNAUDITED)**

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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 2022, 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 \$43,605,645, which was below original budget estimates of \$47,189,644. The variance is mainly due to a change in final budgeted intergovernmental revenue and property taxes. The actual revenue and other financing sources were \$45,758,808.

The School District's actual expenditures and other financing uses was \$1,075,207 lower than the final budget basis expenditures in the General Fund.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows fiscal year 2022 balances compared to fiscal year 2021:

**Table 4- Capital Assets**

	Governmental Activities	
	2022	2021
Land	\$ 1,216,751	\$ 1,216,751
Construction in Progress	794,197	563,708
Land Improvements	237,054	301,417
Buildings and Improvements	41,264,571	42,557,600
Furniture and Equipment	1,213,902	1,267,177
Vehicles	444,773	351,278
<b>Total Capital Assets</b>	<b>\$ 45,171,248</b>	<b>\$ 46,257,931</b>

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2022, the set aside amount was \$610,966. 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, 2022  
 (UNAUDITED)**

**Debt**

Table 5 summarizes the bonds and capital leases outstanding.

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

	Governmental Activities	
	2022	2021
2012 Refunding Bonds	\$ 3,142,558	\$ 3,978,859
2015 Refunding Bonds	10,093,732	12,608,308
2016 Refunding Bonds	6,086,054	6,205,068
Financed Purchases Payable Direct Borrowings	2,880,353	3,134,866
<b>Total Outstanding Debt</b>	<b>\$ 22,202,697</b>	<b>\$ 25,927,101</b>

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 Philip Oko, 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, 2022**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,478,036
Property Taxes Receivable	28,048,031
Payments in Lieu of Taxes Receivable	248,239
Accounts Receivable	44,648
Accrued Interest Receivable	1,330
Intergovernmental Receivable	1,407,373
Net OPEB Asset	3,698,088
Nondepreciable Capital Assets	2,010,948
Depreciable Capital Assets, Net	43,160,300
<b>Total Assets</b>	<b>88,096,993</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferral on Refunding	774,375
Pension	11,254,848
OPEB	1,189,305
<b>Total Deferred Outflows of Resources</b>	<b>13,218,528</b>
<b>LIABILITIES</b>	
Accounts Payable	748,613
Accrued Wages and Benefits	5,065,087
Intergovernmental Payable	710,702
Accrued Interest Payable	71,363
Matured Compensated Absences Payable	155,789
Unearned Revenue	123,658
Long-term Liabilities:	
Due within one year	4,905,827
Due in more than one year:	
Net Pension Liability	28,987,171
Net OPEB Liability	3,421,703
Other Amounts	24,030,748
<b>Total Liabilities</b>	<b>68,220,661</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	18,758,534
Payments in Lieu of Taxes	248,239
Pension	23,808,087
OPEB	6,201,611
<b>Total Deferred Inflows of Resources</b>	<b>49,016,471</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	23,742,926
Restricted:	
Capital Projects	153,555
Debt Service	4,498,717
Scholarships	106,574
State Funded Programs	61,241
Federally Funded Programs	62,888
Student Activities	2,838
Athletics and Music	62,535
Food Service	1,230,025
Classroom Facilities Maintenance	258,516
Other Purpose	64,740
Unrestricted	(46,166,166)
<b>Total Net Position</b>	<b>\$ (15,921,611)</b>

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, 2022**

	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	\$ 18,723,796	\$ 186,653	\$ 1,434,019	\$ (17,103,124)
Special	4,716,484	30,818	5,877,040	1,191,374
Vocational	-	-	73,559	73,559
Student Intervention Services	3,748,126	44,435	-	(3,703,691)
Supporting Services:				
Pupils	3,991,899	37,454	1,777,612	(2,176,833)
Instructional Staff	3,472,239	14,612	2,331,071	(1,126,556)
Board of Education	120,442	1,411	-	(119,031)
Administration	3,821,005	45,717	124,232	(3,651,056)
Fiscal Services	1,026,750	11,711	5,685	(1,009,354)
Business	523,232	19,782	-	(503,450)
Operation and Maintenance of Plant	3,693,732	95,564	-	(3,598,168)
Pupil Transportation	908,781	11,318	805,537	(91,926)
Central	82,790	6,208	-	(76,582)
Operation of Non-Instructional Services	967,953	-	971,734	3,781
Operation of Food Service	1,609,277	1,754	2,482,650	875,127
Extracurricular Activities	621,739	108,596	2,043	(511,100)
Interest and Fiscal Charges	676,199	-	-	(676,199)
<b>Total Governmental activities</b>	<b>\$ 48,704,444</b>	<b>\$ 616,033</b>	<b>\$ 15,885,182</b>	<b>(32,203,229)</b>

**General Revenues:**

Property Taxes levied for:

General Purposes	19,147,831
Debt Service	3,055,348
Capital Outlay	122,552
Other Purposes	241,382
Payments in Lieu of Taxes	465,730
Grants & Entitlements not restricted to specific programs	18,877,051
Investment Income	(21,303)
Miscellaneous	306,019
<b>Total General Revenues</b>	<b>42,194,610</b>
Change in Net Position	9,991,381
Net Position - Beginning of Year	(25,912,992)
<b>Net Position - End of Year</b>	<b>\$ (15,921,611)</b>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,832,555	\$ 3,046,548	\$ 2,598,933	\$ 9,478,036
Accrued Interest Receivable	1,330	-	-	1,330
Accounts Receivable	44,648	-	-	44,648
Interfund Receivable	1,554,348	200,000	-	1,754,348
Intergovernmental Receivable	365,453	-	1,041,920	1,407,373
Property Taxes Receivable	23,742,731	3,862,243	443,057	28,048,031
Payments in Lieu of Taxes Receivable	248,239	-	-	248,239
<b>Total Assets</b>	<b>\$ 29,789,304</b>	<b>\$ 7,108,791</b>	<b>\$ 4,083,910</b>	<b>\$ 40,982,005</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 365,043	\$ -	\$ 383,570	\$ 748,613
Accrued Wages and Benefits	4,543,247	-	521,840	5,065,087
Intergovernmental Payable	625,612	-	85,090	710,702
Matured Compensated Absences Payable	130,801	-	24,988	155,789
Interfund Payable	-	-	1,754,348	1,754,348
Unearned Revenue	-	-	123,658	123,658
<b>Total Liabilities</b>	<b>5,664,703</b>	<b>-</b>	<b>2,893,494</b>	<b>8,558,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	15,878,126	2,587,778	292,630	18,758,534
Payments in Lieu of Taxes	248,239	-	-	248,239
Unavailable Revenue - Delinquent Property Taxes	5,910,722	952,375	112,991	6,976,088
Unavailable Revenue - Grants	-	-	767,028	767,028
Unavailable Revenue - Other	288,315	-	-	288,315
<b>Total Deferred Inflows of Resources</b>	<b>22,325,402</b>	<b>3,540,153</b>	<b>1,172,649</b>	<b>27,038,204</b>
<b>FUND BALANCES</b>				
Restricted	3,199	3,568,638	2,032,856	5,604,693
Assigned	665,412	-	-	665,412
Unassigned (Deficits)	1,130,588	-	(2,015,089)	(884,501)
<b>Total Fund Balances</b>	<b>1,799,199</b>	<b>3,568,638</b>	<b>17,767</b>	<b>5,385,604</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 29,789,304</b>	<b>\$ 7,108,791</b>	<b>\$ 4,083,910</b>	<b>\$ 40,982,005</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, 2022**

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**Total Governmental Fund Balances** 5,385,604

*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. 45,171,248

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

Delinquent Property Taxes	6,976,088	
Intergovernmental	<u>1,055,343</u>	
Total		8,031,431

In the statement of activities, interest is accrued on outstanding  
 bonds, whereas in governmental funds, an interest  
 expenditure is reported when due. (71,363)

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. 774,375

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	11,254,848	
Deferred Inflows - Pension	(23,808,087)	
Net Pension Liability	(28,987,171)	
Net OPEB Asset	3,698,088	
Deferred Outflows - OPEB	1,189,305	
Deferred Inflows - OPEB	(6,201,611)	
Net OPEB Liability	<u>(3,421,703)</u>	
Total		(46,276,331)

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	(19,322,344)	
Financed Purchases Payable	(2,880,353)	
Compensated Absences	<u>(6,733,878)</u>	
Total		<u>(28,936,575)</u>

**Net Position of Governmental Activities** (15,921,611)

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, 2022**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 18,348,528	\$ 2,933,588	\$ 354,164	\$ 21,636,280
Intergovernmental	23,868,255	554,400	9,952,757	34,375,412
Interest	(24,860)	-	3,557	(21,303)
Tuition	444,339	-	-	444,339
Extracurricular Activities	16,091	-	115,648	131,739
Rentals	5,000	-	50,448	55,448
Charges for Services	5,896	-	1,754	7,650
Contributions and Donations	2,043	-	5,685	7,728
Payments in Lieu of Taxes	465,730	-	-	465,730
Miscellaneous	125,514	-	150,940	276,454
<b>Total Revenues</b>	<b>43,256,536</b>	<b>3,487,988</b>	<b>10,634,953</b>	<b>57,379,477</b>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	17,559,684	-	1,484,994	19,044,678
Special	2,837,843	-	2,170,116	5,007,959
Student Intervention Services	4,220,009	-	-	4,220,009
Supporting Services:				
Pupils	3,572,208	-	534,748	4,106,956
Instructional Staff	1,344,746	-	2,298,049	3,642,795
Board of Education	123,928	-	-	123,928
Administration	4,052,951	-	140,698	4,193,649
Fiscal Services	1,042,225	66,355	6,000	1,114,580
Business	518,427	-	-	518,427
Operation and Maintenance of Plant Services	4,172,704	-	280,369	4,453,073
Pupil Transportation	960,626	-	219,773	1,180,399
Central	557,990	-	-	557,990
Operation of Non-Instructional Services	9,382	-	972,912	982,294
Operation of Food Service	-	-	1,740,706	1,740,706
Extracurricular Activities	415,878	-	294,399	710,277
Capital Outlay	230,489	-	58,022	288,511
Debt Service:				
Principal Retirement	111,172	3,255,000	143,341	3,509,513
Interest and Fiscal Charges	29,269	585,141	95,162	709,572
<b>Total Expenditures</b>	<b>41,759,531</b>	<b>3,906,496</b>	<b>10,439,289</b>	<b>56,105,316</b>
Excess of Revenues Over (Under) Expenditures	1,497,005	(418,508)	195,664	1,274,161
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	282,458	282,458
Transfers Out	(282,458)	-	-	(282,458)
<b>Total Other Financing Sources (Uses)</b>	<b>(282,458)</b>	<b>-</b>	<b>282,458</b>	<b>-</b>
Net Change in Fund Balances	1,214,547	(418,508)	478,122	1,274,161
Fund Balances - Beginning of Year	584,652	3,987,146	(460,355)	4,111,443
<b>Fund Balances - End of Year</b>	<b>\$ 1,799,199</b>	<b>\$ 3,568,638</b>	<b>\$ 17,767</b>	<b>\$ 5,385,604</b>

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, 2022**

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**Net Change in Fund Balances-Total Governmental Funds** \$ 1,274,161

*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	1,044,527	
Depreciation	<u>(2,131,210)</u>	
Total		(1,086,683)

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

Delinquent Property Taxes	930,833	
Intergovernmental	567,472	
Miscellaneous Revenues	<u>(158,814)</u>	
Total		1,339,491

Repayment of bond principal and financed purchases are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 3,509,513

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

Pension	3,959,213	
OPEB	<u>96,769</u>	
Total		4,055,982

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	494,848	
OPEB	<u>289,351</u>	
Total		784,199

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	81,345	
Accrued Interest	944	
Amortization of Bond Premiums	214,891	
Deferred Amount on Refunding	<u>(182,462)</u>	
Total		<u>114,718</u>

**Change in Net Position of Governmental Activities** **\$ 9,991,381**

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, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 19,911,547	\$ 17,538,696	\$ 18,453,656	\$ 914,960
Intergovernmental	25,479,965	22,443,528	23,614,363	1,170,835
Interest	53,524	47,146	49,605	2,459
Tuition	463,713	408,453	429,761	21,308
Extracurricular Activities	2,946	2,595	2,730	135
Rentals	5,395	4,752	5,000	248
Charges for Services	6,362	5,604	5,896	292
Payments in Lieu of Taxes	502,524	442,638	465,730	23,092
Miscellaneous	431,609	380,174	400,008	19,834
<b>Total Revenues</b>	<u>46,857,585</u>	<u>41,273,586</u>	<u>43,426,749</u>	<u>2,153,163</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	19,151,895	17,718,045	17,276,197	441,848
Special	3,087,366	3,087,366	2,879,268	208,098
Other	4,815,000	4,321,100	4,097,116	223,984
Supporting Services				
Pupils	2,791,830	3,615,830	3,517,642	98,188
Instructional Staff	1,423,521	1,474,421	1,442,025	32,396
Board of Education	106,753	134,753	131,429	3,324
Administration	4,237,734	4,322,734	4,292,701	30,033
Fiscal Services	998,134	1,102,334	1,089,208	13,126
Business	490,093	517,093	490,095	26,998
Operation and Maintenance of Plant Services	3,740,686	4,621,436	4,467,678	153,758
Pupil Transportation	1,174,545	1,174,545	1,119,349	55,196
Central	721,767	619,667	574,817	44,850
Extracurricular Activities	431,000	461,000	406,181	54,819
Debt Service:				
Principal	-	2,000,000	2,130,041	(130,041)
Interest & Fiscal Charges	-	10,400	10,400	-
<b>Total Expenditures</b>	<u>43,170,324</u>	<u>45,180,724</u>	<u>43,924,147</u>	<u>1,256,577</u>
Excess of Revenues Over Expenditures	<u>3,687,261</u>	<u>(3,907,138)</u>	<u>(497,398)</u>	<u>3,409,740</u>
<b>Other Financing Sources (Uses)</b>				
Note Issuance	-	2,000,000	2,000,000	-
Advances In	332,059	332,059	332,059	-
Advances Out	(300,000)	(300,000)	(672,700)	(372,700)
Transfers Out	(370,000)	(370,000)	(178,670)	191,330
<b>Total Other Financing Sources (Uses)</b>	<u>(337,941)</u>	<u>1,662,059</u>	<u>1,480,689</u>	<u>(181,370)</u>
Net Change in Fund Balance	3,349,320	(2,245,079)	983,291	3,228,370
Fund Balance - Beginning of Year	1,913,459	1,913,459	1,913,459	-
Prior Year Encumbrances Appropriated	488,824	488,824	488,824	-
Fund Balance - End of Year	<u>\$ 5,751,603</u>	<u>\$ 157,204</u>	<u>\$ 3,385,574</u>	<u>\$ 3,228,370</u>

See accompanying notes to the basic financial statements.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF FIDUCIARY NET POSITION  
 CUSTODIAL FUND  
 JUNE 30, 2022**

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	<b>Custodial Fund</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 35,958
<b>Total Assets</b>	<b>35,958</b>
 <b>LIABILITIES</b>	
<b>Total Liabilities</b>	-
 <b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	35,958
<b>Total Net Position</b>	<b>\$ 35,958</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 FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Collections for Other Organizations	\$ 11,839
<b>Total Additions</b>	11,839
<b>DEDUCTIONS</b>	
Distributions to Other Organizations	7,402
<b>Total Deductions</b>	7,402
Net Increase (Decrease) in Fiduciary Net Position	4,437
Net Position - Beginning of Year	31,521
<b>Net Position - End of Year</b>	\$ 35,958

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, 2022**

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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 167 classified employees, 292 certificated full and part-time teaching and tutor personnel, and 31 administrators who provide services to 3,406 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, 2022  
(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, 2022  
(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, 2022  
(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, 2022  
(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 assets 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 assets 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, 2022, but which were levied to finance fiscal year 2023 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, 2022  
(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 2022, investments were limited to U.S. Government Agency Notes, U.S. Treasury Notes, U.S. Government Agency Discount Notes, Commercial Paper, Negotiable Certificates of Deposit, Money Market Mutual Fund, and STAR Ohio.

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 2022, 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 2022 amounted to a deficit of \$24,860 with \$16,246 of the deficit assigned from other funds.

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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (CONTINUED)**

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

*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

*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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are 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.

***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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

*Internal Activity (Continued)*

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

*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.

**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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

*Fund Balance* (Continued)

**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.

*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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

*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.

*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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. These changes were incorporated in the School District's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The implementation of this Statement did not have an effect on the financial statements of the School District.

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

GASB Statement No. 87, *Leases* and GASB Implementation Guide 2019-3, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. These changes were implemented in the School District's financial statement; however, there was no effect on the beginning net position.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (CONTINUED)**

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**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.

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	\$ 1,214,547
Net Adjustment for Revenue Accruals	2,200,195
Net Adjustment for Expenditure Accruals	(1,442,629)
Advances In	332,059
Advances Out	(672,700)
Transfers Out	123,288
Funds with Separate Legally Adopted Budgets	4,325
Adjustment for Encumbrances	(775,794)
Budget Basis	\$ 983,291



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (CONTINUED)**

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**NOTE 5: ACCOUNTABILITY AND COMPLIANCE**

The IDEA special revenue fund had a negative cash fund balance in the amount of \$461,652. The cash deficit is 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.

Fund balances at June 30, 2022, included the following individual fund deficits:

**Special Revenue Funds**

Public Preschool	\$ 16,944
School Net Professional Development	1,041
Miscellaneous State Grants	65,108
ESSER	100,734
21st Century Grant	71,671
IDEA, Part B Special Education	412,833
Technology II-D Grant	4,175
Title I School Improvement	133,627
Title I Grant	830,729
Preschool Grant	15,884
Class Size Reduction	175,357

**Capital Projects Funds**

Building	186,986
<b>Total</b>	<u><u>\$ 2,015,089</u></u>

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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**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:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Teacher Development	3,199	-	-	3,199
Food Service Operations	-	-	1,363,145	1,363,145
Scholarships	-	-	106,574	106,574
Classroom Facilities Maintenance	-	-	214,039	214,039
Athletics	-	-	62,535	62,535
Auxiliary Services	-	-	39,805	39,805
Entry Year Teachers	-	-	183	183
School Improvement	-	-	4,832	4,832
Alternative Schools	-	-	134	134
Non-Public Schools	-	-	6,979	6,979
Drug Free School	-	-	14,770	14,770
Debt Service Payment	-	3,568,638	-	3,568,638
Capital Improvements	-	-	130,356	130,356
Student Activity	-	-	2,838	2,838
Student Wellness	-	-	14,166	14,166
Other	-	-	72,500	72,500
<i>Total Restricted</i>	<u>3,199</u>	<u>3,568,638</u>	<u>2,032,856</u>	<u>5,604,693</u>
<i>Assigned to</i>				
Extracurricular Activities	21,252	-	-	21,252
Purchases on Order:				
Instructional Services	74,817	-	-	74,817
Support Services	569,343	-	-	569,343
<i>Total Assigned</i>	<u>665,412</u>	<u>-</u>	<u>-</u>	<u>665,412</u>
<i>Unassigned (Deficit)</i>	1,130,588	-	(2,015,089)	(884,501)
<b>Total Fund Balances</b>	<u><u>\$ 1,799,199</u></u>	<u><u>\$ 3,568,638</u></u>	<u><u>\$ 17,767</u></u>	<u><u>\$ 5,385,604</u></u>

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
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**NOTE 7: INTERFUND TRANSACTIONS**

***Interfund Balances***

Interfund balances at June 30, 2022, 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>			
Public Preschool	\$ 17,200	\$ -	\$ 17,200
SchoolNet, Professional Development	1,050	-	1,050
Alternative Schools	200	-	200
21st Century	20,000	-	20,000
Title VI-B	585,594	-	585,594
Technology II-D Grant	4,250	-	4,250
Title I School Improvement	136,400	-	136,400
Title I	588,739	-	588,739
Preschool Grant	10,600	-	10,600
Title IV-A	14,000	-	14,000
Classroom Size Reduction	176,315	-	176,315
Building	-	200,000	200,000
Total	<u>\$ 1,554,348</u>	<u>\$ 200,000</u>	<u>\$ 1,754,348</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, 2022, were as follows:

<u>Transfers To</u>	<u>Transfers From General Fund</u>
<u>Other Governmental Funds:</u>	
Public Preschool	\$ 12,270
District Managed Student Activity	143,000
IDEA Preschool Grant	3,900
Permanent Improvement	123,288
Total	<u>\$ 282,458</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  
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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  
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(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, 2022, the carrying amount of the School District's deposits was \$1,685,130, 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, 2022, \$700,698 of the School District's bank balance of \$2,013,227 was covered by Federal Depository Insurance and \$656,264 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 \$656,265 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, 2022.

***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, 2022. 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  
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 (CONTINUED)**

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

*Investments* (Continued)

As of June 30, 2022, the School District had the following investments:

Investment Type	Measurement Value	Maturity	Standard and Poors Rating	Percentage of Total Investments
Money Market Mutual Fund	\$ 5,439	On Demand	N/A	0.07%
U.S. Government Agency Notes	500,814	Less than five years	AA+/AAA	6.40%
U.S. Treasury Notes	139,116	Less than five years	AA+	1.78%
U.S. Government Agency Discount Notes	116,610	Less than one year	AAA	1.49%
Commercial Paper	439,474	Less than one year	A-1/A-1+	5.61%
Negotiable CD's	433,635	Less than five years	N/A	5.54%
STAROhio	6,193,776	On Demand	AAAm	79.11%
<b>Total Investments</b>	<b>\$ 7,828,864</b>			

**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 U.S. Government Agency Notes, U.S. Treasury Notes, U.S. Government Agency Discount Notes, 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, 2022, the School District had no exposure to foreign currency risk.

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CUYAHOGA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021, 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, 2022, are available to finance fiscal year 2022 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, 2022, 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, 2022, was \$1,953,883 in the General Fund, \$24,793 in the Classroom Facilities Maintenance Special Revenue Fund, \$322,090 in the Bond Retirement Fund, and \$12,643 in the Permanent Improvement Capital Projects Fund. 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.

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 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 302,150,970	95.07%	\$ 365,330,220	95.64%
Public Utility Personal	15,653,320	4.93%	16,662,620	4.36%
Total	<u>\$ 317,804,290</u>	<u>100.00%</u>	<u>\$ 381,992,840</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of Assessed Valuation	\$ 78.51		\$ 78.51	

NOTE 10: **RECEIVABLES**

Receivables at June 30, 2022, 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
Title IV-A Student Support and Academic Enrichment	\$ 39,441
Special Education part B-IDEA	2,445
Title I - School Improvement	11,639
Title I-A Improving Basic Programs	577,335
Title II-A Improving Teacher Quality	3,029
6B IDEA Restoration	801
ESSER	1,937
21ST Century	102,314
ARP IDEA	181,631
School Bus Purchase Program	68,569
Shared Income Tax	217,491
Food Service	44,436
Medicaid	19,261
SERS True-up	70,824
Foundation FTE adjustment	57,877
Other	8,343
Total Intergovernmental Receivable	<u>\$ 1,407,373</u>



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(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, 2022, was as follows:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,216,751	\$ -	\$ -	\$ 1,216,751
Construction in Progress	563,708	230,489	-	794,197
Total Capital Assets, not being depreciated	<u>1,780,459</u>	<u>230,489</u>	<u>-</u>	<u>2,010,948</u>
Capital Assets, being depreciated:				
Land Improvements	1,787,825	-	-	1,787,825
Buildings and Improvements	71,908,267	499,216	-	72,407,483
Furniture and Equipment	4,096,636	116,680	-	4,213,316
Vehicles	1,875,128	198,142	-	2,073,270
Total Capital Assets, being depreciated	<u>79,667,856</u>	<u>814,038</u>	<u>-</u>	<u>80,481,894</u>
Less Accumulated Depreciation:				
Land Improvements	(1,486,408)	(64,363)	-	(1,550,771)
Buildings and Improvements	(29,350,667)	(1,792,245)	-	(31,142,912)
Furniture and Equipment	(2,829,459)	(169,955)	-	(2,999,414)
Vehicles	(1,523,850)	(104,647)	-	(1,628,497)
Total Accumulated Depreciation	<u>(35,190,384)</u>	<u>(2,131,210)</u>	<u>-</u>	<u>(37,321,594)</u>
Total Capital Assets being depreciated, Net	<u>44,477,472</u>	<u>(1,317,172)</u>	<u>-</u>	<u>43,160,300</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 46,257,931</u>	<u>\$ (1,086,683)</u>	<u>\$ -</u>	<u>\$ 45,171,248</u>

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (CONTINUED)**

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,772,918
Special	4,545
Supporting Services:	
Pupil	982
Instructional Staff	28,756
Board of Education	142
Administration	11,702
Business	1,150
Operation and Maintenance of Plant	183,270
Pupil Transportation	86,518
Operation of Food Service	30,974
Extracurricular Activities	10,253
<b>Total Depreciation Expense</b>	<b><u>\$ 2,131,210</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 \$154,090,119 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, 2022.

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

**NOTE 13: LONG-TERM LIABILITIES**

Changes in long-term obligations of the School District during fiscal year 2022 were as follows:

	Principal Outstanding 6/30/2021	Additions	Deductions	Principal Outstanding 6/30/2022	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Refunding School Improvement Bonds - 2012					
Serial Bonds- 6,820,000 @ 2%-2.75%	\$ 3,945,000	\$ -	\$ (830,000)	\$ 3,115,000	\$ 845,000
Premium on Bond	33,859	-	(6,301)	27,558	-
Total Refunded Bonds - 2012	<u>3,978,859</u>	<u>-</u>	<u>(836,301)</u>	<u>3,142,558</u>	<u>845,000</u>
Refunding School Improvement Bonds - 2015					
Serial Bonds - 18,020,000 @ .65% - 3.1%	12,010,000	-	(2,365,000)	9,645,000	2,980,000
Premium on CAB	598,308	-	(149,576)	448,732	-
Total Refunded Bonds - 2015	<u>12,608,308</u>	<u>-</u>	<u>(2,514,576)</u>	<u>10,093,732</u>	<u>2,980,000</u>
Refunding School Improvement Bonds - 2016					
Serial Bonds - 7,920,000 @ 1%-3%	5,910,000	-	(60,000)	5,850,000	65,000
Premium on Bond	295,068	-	(59,014)	236,054	-
Total Refunded Bonds - 2016	<u>6,205,068</u>	<u>-</u>	<u>(119,014)</u>	<u>6,086,054</u>	<u>65,000</u>
<i>Total General Obligation Bonds</i>	<u>22,792,235</u>	<u>-</u>	<u>(3,469,891)</u>	<u>19,322,344</u>	<u>3,890,000</u>
<b>Net Pension Liability</b>					
SERS	11,840,185	-	(5,279,002)	6,561,183	-
STRS	42,248,894	-	(19,822,906)	22,425,988	-
<i>Total Net Pension Liability</i>	<u>54,089,079</u>	<u>-</u>	<u>(25,101,908)</u>	<u>28,987,171</u>	<u>-</u>
<b>Net OPEB Liability</b>					
SERS	3,904,963	-	(483,260)	3,421,703	-
<i>Total Net OPEB Liability</i>	<u>3,904,963</u>	<u>-</u>	<u>(483,260)</u>	<u>3,421,703</u>	<u>-</u>
<b>Other Long-term Obligations</b>					
Compensated Absences	6,815,223	522,614	(603,959)	6,733,878	753,318
Financed Purchases Payable Direct Borrowings	3,134,866	-	(254,513)	2,880,353	262,509
<i>Total Other Long-term Obligations</i>	<u>9,950,089</u>	<u>522,614</u>	<u>(858,472)</u>	<u>9,614,231</u>	<u>1,015,827</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 90,736,366</u>	<u>\$ 522,614</u>	<u>\$ (29,913,531)</u>	<u>\$ 61,345,449</u>	<u>\$ 4,905,827</u>

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.

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

***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.

***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.

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

***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, 2022, \$6,355,000 of the defeased bonds are still outstanding.

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, 2022, was \$15,041,362 with an unvoted debt margin of \$381,993. 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, 2022, are as follows:

Fiscal Year Ending June 30	School Improvement Bonds	
	Serial Bonds	
	Principal	Interest
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>\$ 18,610,000</u>	<u>\$ 1,302,822</u>

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NOTE 14: **FINANCED PURCHASE PAYABLES**

*2019 Lighting and Improvements Financed Purchase*

In 2019, the School District entered into a financed purchase agreement that 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. 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, 2022.

	Amounts
2023	\$ 238,503
2024	238,503
2025	238,503
2026	238,503
2027	238,503
2028-2032	1,192,516
2033-2034	357,755
Total Minimum Lease Payments	2,742,786
Less: Amount representing interest	(585,066)
Present Value of Minimum Lease Payments	\$ 2,157,720

As of June 30, 2022, the accumulated depreciation amount for the lease was \$143,895 and the book value was \$2,877,904.

*2020 Transformer Financed Purchase*

In 2020, the School District entered into a financed purchase agreement for a transformer, and in 2021, the School District entered into an 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, 2022, \$794,196 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, 2022.

	Amounts
2023	\$ 130,041
2024	130,041
2025	130,041
2026	130,041
2027	130,041
2028	130,041
Total Minimum Lease Payments	780,246
Less: Amount representing interest	(57,613)
Present Value of Minimum Lease Payments	\$ 722,633

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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 2022, the School District paid \$161,490 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Blvd, Independence, Ohio 44131.

*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 2022. 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 2022, the School District paid \$28,184 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. The Retirement Board approved a 0.5% COLA for calendar year 2021.

**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, 2022, the allocation to pension, death benefits, and Medicare B was the entire 14 percent.

The School District's contractually required contribution to SERS was \$863,070 for fiscal year 2022. Of this amount \$61,492 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, 12.0 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, 2022, 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 2022 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contributions to STRS were \$3,096,143 for fiscal year 2022. Of this amount \$534,428 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, 2021, 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	0.1790113%	0.174607880%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.1778238%</u>	<u>0.175396255%</u>	
Change in Proportionate Share	<u>-0.0011875%</u>	<u>0.000788375%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 6,561,183	\$ 22,425,988	\$ 28,987,171
Pension Expense	\$ (146,007)	\$ (348,841)	\$ (494,848)

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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, 2022, 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	\$ 633	\$ 692,857	\$ 693,490
Changes of assumptions	138,159	6,221,371	6,359,530
Changes in proportion and differences between contributions and proportionate share of contributions	28,057	214,558	242,615
School District contributions subsequent to the measurement date	<u>863,070</u>	<u>3,096,143</u>	<u>3,959,213</u>
Total Deferred Outflows of Resources	<u>\$ 1,029,919</u>	<u>\$ 10,224,929</u>	<u>\$ 11,254,848</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 170,158	\$ 140,565	\$ 310,723
Net difference between projected and actual earnings on pension plan investments	3,379,202	19,326,911	22,706,113
Changes in proportion and differences between contributions and proportionate share of contributions	<u>46,270</u>	<u>744,981</u>	<u>791,251</u>
Total Deferred Inflows of Resources	<u>\$ 3,595,630</u>	<u>\$ 20,212,457</u>	<u>\$ 23,808,087</u>

\$3,959,213 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, 2023. 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:			
2023	\$ (833,077)	\$ (3,321,929)	\$ (4,155,006)
2024	(755,040)	(2,910,484)	(3,665,524)
2025	(803,453)	(3,051,568)	(3,855,021)
2026	<u>(1,037,211)</u>	<u>(3,799,690)</u>	<u>(4,836,901)</u>
Total	<u>\$ (3,428,781)</u>	<u>\$ (13,083,671)</u>	<u>\$ (16,512,452)</u>

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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, 2021, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

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 CUYAHOGA COUNTY, OHIO  
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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.



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

*Actuarial Assumptions – SERS* (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 10,916,196	\$ 6,561,183	\$ 2,888,409

**Changes since measurement date** Effective July 1, 2022 SERS made the following changes: Retiree Health Care – changes to monthly premium deductions associated with retiree health insurance and income related Medicare Parts B & D reimbursements. Cost-of-living adjustments – Changes to the cost-of-living adjustments made to retirees’ pensions. Normal Retirement Age – changes to the “Normal Retirement Age” for members of Tiers II and IIA.

*Actuarial Assumptions – STRS*

The total pension liability in the July 1, 2021 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	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 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.

Actuarial assumptions used in the July 1, 2021 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:

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

*Actuarial Assumptions – STRS* (Continued)

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
<b>Total</b>	<b>100.00 %</b>	

\* 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 7.00 percent as of June 30, 2021. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	41,995,482	22,425,988	5,889,807

**Changes since measurement date** In March 2022, the board eliminated the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The final change to the phased-in age and service requirements will be made Aug. 1, 2023, when 35 years of service will be required for an unreduced retirement.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
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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.

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.

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

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

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 2022, 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 2022, this amount was \$25,000.

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 \$96,769 for fiscal year 2022, and the full amount is reported as an intergovernmental payable.

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

*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 monthly premium reimbursements elimination date was postponed indefinitely. 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, 2022, 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, 2021, 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.

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.1796767%	0.17460788%	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.1807955%	0.17539626%	
Change in Proportionate Share	0.0011188%	0.00078838%	
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 3,421,703	\$ (3,698,088)	\$ (276,385)
OPEB Expense	\$ (45,103)	\$ (244,248)	\$ (289,351)

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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)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 36,473	\$ 131,678	\$ 168,151
Changes of assumptions	536,785	236,217	773,002
Changes in proportion and differences between contributions and proportionate share of contributions	100,108	51,275	151,383
School District contributions subsequent to the measurement date	96,769	-	96,769
Total Deferred Outflows of Resources	\$ 770,135	\$ 419,170	\$ 1,189,305
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 1,704,163	\$ 677,558	2,381,721
Changes of assumptions	468,575	2,206,185	2,674,760
Net difference between projected and actual earnings on OPEB plan investments	74,335	1,025,042	1,099,377
Changes in proportion and differences between contributions and proportionate share of contributions	31,586	14,167	45,753
Total Deferred Inflows of Resources	\$ 2,278,659	\$ 3,922,952	\$ 6,201,611

\$96,769 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, 2023.

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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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	\$ (359,139)	\$ (996,048)	\$ (1,355,187)
2024	(359,660)	(970,398)	(1,330,058)
2025	(376,191)	(960,953)	(1,337,144)
2026	(309,078)	(433,259)	(742,337)
2027	(155,635)	(146,557)	(302,192)
Thereafter	<u>(45,590)</u>	<u>3,433</u>	<u>(42,157)</u>
Total	<u>\$ (1,605,293)</u>	<u>\$ (3,503,782)</u>	<u>\$ (5,109,075)</u>

***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, 2021, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.27 percent
Prior Measurement Date	2.63 percent
Medical Trend Assumption	
Measurement Date	
Medicare	5.125 to 4.400 percent
Pre-Medicare	6.750 to 4.400 percent
Prior Measurement Date	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Base Mortality: Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00 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, 2020 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 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 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 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no 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 of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination for the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

**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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

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

*Actuarial Assumptions – SERS* (Continued)

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$ 4,239,904	\$ 3,421,703	\$ 2,768,066

  

	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	\$ 2,634,431	\$ 3,421,703	\$ 4,473,257

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021 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	7.00 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments	0 percent	
Inflation	2.50 percent	
Discount Rate of Return	7.00 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	4.93 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.33 percent	4.00 percent
Medicare	29.98 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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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. 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	1.00	2.25
Total	<u>100.00 %</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 7.00 percent as of June 30, 2021. 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 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (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, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$ 3,120,613	\$ 3,698,088	\$ 4,180,479
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 4,160,932	\$ 3,698,088	\$ 3,125,735

***Benefit Term Changes Since the Prior Measurement Date*** - In February 2022, the Board approved changes to the demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

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, 2022  
(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, 2022.

*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 2022 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, 2022  
 (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, 2021	\$ -
Current Year Set-Aside Requirements	610,966
Qualifying Offsets	(197,188)
Qualifying Disbursements	(648,534)
Total	<u>\$ (234,756)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>
Set-Aside Balance as of June 30, 2022	<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	\$ 644,160
Nonmajor governmental funds	1,251,959
	<u>\$ 1,896,119</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 \$106,384 (tax year 2021, collection year 2022).

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
 (CONTINUED)**

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**NOTE 24: 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 25: SHORT-TERM NOTES PAYABLE**

The School District short-term activity, including amounts outstanding and interest rate, are as follows:

	Balance 6/30/2021	Increase	Decrease	Balance 6/30/2022
Current Tax Revenue Notes	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ (2,000,000)</u>	<u>\$ -</u>

On December 1, 2021, the School District issued \$2,000,000 in Current Tax Revenue Notes with an interest rate of 4.00 percent. The notes were fully paid off on March 29, 2022.

## **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 NINE (1) FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1778238%	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	\$ 6,561,183	\$ 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	\$ 6,131,693	\$ 6,362,657	\$ 6,150,356	\$ 5,892,348	\$ 5,658,871	\$ 5,650,514	\$ 5,590,463	\$ 5,326,335	\$ 4,540,715
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	107.00%	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	82.86%	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 NINE (1) FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.175396255%	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	\$ 22,425,988	\$ 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	\$ 21,730,821	\$ 21,028,614	\$ 21,041,029	\$ 20,954,000	\$ 19,749,100	\$ 18,973,843	\$ 18,250,150	\$ 17,812,092	\$ 16,590,738
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.20%	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	87.80%	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**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 863,070	\$ 858,437	\$ 890,772	\$ 830,298	\$ 795,467	\$ 792,242	\$ 791,072	\$ 736,823	\$ 738,230	\$ 628,435
Contributions in Relation to the Contractually Required Contribution	<u>(863,070)</u>	<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>
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	\$6,164,786	\$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
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

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**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 3,096,143	\$ 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
Contributions in Relation to the Contractually Required Contribution	<u>(3,096,143)</u>	<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>
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	\$ 22,115,307	\$ 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
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	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 SIX (1) FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.1807955%	0.1796767%	0.1812095%	0.1803846%	0.1770446%	0.1849735%
School District's Proportionate Share of the Net OPEB Liability	\$3,421,703	\$3,904,963	\$4,557,038	\$5,004,357	\$4,751,412	\$5,272,428
School District's Covered Payroll	\$6,131,693	\$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	55.80%	61.37%	74.09%	84.93%	83.96%	93.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	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 SIX (1) FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability/Asset	0.17539626%	0.17460788%	0.17903951%	0.18138511%	0.17924913%	0.17841013%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (3,698,088)	\$ (3,068,731)	\$ (2,965,324)	\$ (2,914,674)	\$ 6,993,640	\$ 9,541,420
School District's Covered Payroll	\$ 21,730,821	\$ 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	-17.02%	-14.59%	-14.09%	-13.91%	35.41%	50.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	174.73%	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**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution (1)	\$ 96,769	\$ 104,306	\$ 86,657	\$ 139,982	\$ 127,578	\$ 115,104	\$ 93,449	\$ 45,842	\$ 103,554	\$ 81,627
Contributions in Relation to the Contractually Required Contribution	<u>(96,769)</u>	<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>
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	\$ 6,164,786	\$ 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
OPEB Contributions as a Percentage of Covered Payroll (1)	1.57%	1.70%	1.36%	2.28%	2.17%	2.03%	1.65%	0.82%	1.94%	1.80%

(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**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,121	\$ 165,907
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178,121)</u>	<u>(165,907)</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	\$22,115,307	\$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
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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, 2022**

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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 2019-2022.

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%. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.00% to 2.40%, (b) assumed real wage growth was reduced from 0.0% to 0.85%, (c) Cost-of-Living-Adjustments was reduced from 2.50% to 2.00% (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality amount active members, service retirees and beneficiaries, and disabled members were updated (i) change in discount rate from 7.50% to 7.00%.

***Changes in benefit terms – STRS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

***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. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) investment return assumption lowered from 7.45% to 7.00%, (b) discount rate of return reduced from 7.45% to 7.00%.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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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 2018-2022.

***Changes in Assumptions – SERS***

Amounts reported for fiscal years 2018-2022 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**Municipal Bond Index Rate:**

Fiscal year 2022	1.92 percent
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 2022	2.27 percent
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 2022	5.125 percent decreasing to 4.40 percent
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 2022	6.75 percent decreasing to 4.40 percent
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.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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*Changes in Assumptions – STRS (Continued)*

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.

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to 7.00 percent. The health care cost trend rates 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.

There were no benefit term changes from the amounts reported for fiscal year 2022.

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal AL		Non-Cash
Program Title	Number	Expenditures	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:	10.553	\$409,845	\$0
School Breakfast Program			
National School Lunch Program	10.555	964,515	167,113
National School Lunch Program - COVID-19	10.555	151,704	0
Total Special Education Grants to States (IDEA, Part B)		1,116,219	167,113
Summer Food Service Program	10.559	12,000	0
Total Nutrition Cluster		1,538,064	167,113
Pandemic Electronic Benefit Transfer Administrative Expenses - COVID-19	10.649	2,099	0
<b>Total U.S. Department of Agriculture</b>		1,540,163	167,113
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>			
<i>Direct Award:</i>			
Emergency Connectivity Fund Program	32.009	241,224	0
<b>Total Federal Communications Commission</b>		241,224	0
<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 - 2021	84.010	425,579	0
Title I Grants to Local Educational Agencies - 2022	84.010	1,435,312	0
Title I Grants to Local Educational Agencies - Supplemental Student Improvement	84.010	30,290	0
Total Title I		1,891,181	0
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B) - 2021	84.027	63,011	0
Special Education Grants to States (IDEA, Part B) - 2022	84.027	1,114,739	0
Special Education Grants to States (IDEA, Part B) - Early Literacy SSIP - 2022	84.027	1,272	0
Special Education Grants to States - ARP IDEA (IDEA, Part B) - COVID-19	84.027	181,451	0
Total Special Education Grants to States (IDEA, Part B)		1,360,473	0
Special Education Preschool Grants (IDEA Preschool) - 2022	84.173	23,562	0
Total Special Education Cluster		1,384,035	0
Twenty-First Century Community Learning Centers	84.287	213,340	0
State Personnel Development Grants Program			
Special Education - State Personnel Development Grants Program - 2021	84.323	500	0
Special Education - State Personnel Development Grants Program - 2022	84.323	600	0
Total State Personnel Development Grants Program		1,100	0
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants- 2021	84.367	13,710	0
Supporting Effective Instruction State Grants- 2022	84.367	73,366	0
Total Supporting Effective Instruction State Grants		87,076	0
Student Support and Academic Enrichment Grants			
Student Support and Academic Enrichment Grants - 2021	84.424	4,163	0
Student Support and Academic Enrichment Grants - 2022	84.424	56,009	0
Total Student Support and Academic Enrichment Grants		60,172	0
Education Stabilization Funds			
Elementary and Secondary School Emergency Relief - ESSER I - COVID-19	84.425D	175,640	0
Elementary and Secondary School Emergency Relief - ESSER II - COVID-19	84.425D	2,961,379	0
Total Education Stabilization Funds		3,137,019	0
<b>Total U.S. Department of Education</b>		6,773,923	0
<b>Total</b>		<b>\$8,555,310</b>	<b>\$167,113</b>

*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  
FOR THE YEAR ENDED JUNE 30, 2022**

**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, 2022. 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 and 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 respective programs that benefitted from the use of those donated food commodities.



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 2023





88 East Broad Street  
Columbus, Ohio 43215  
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(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**

***Opinion on Each Major Federal Program***

We have audited the Garfield Heights City School District’s, Cuyahoga County, Ohio, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Garfield Heights City School District’s major federal programs for the year ended June 30, 2022. Garfield Heights City School District’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

In our opinion, the Garfield Heights City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material on effect each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 2023

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**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster  Emergency Connectivity Fund – AL #32.009  Education Stabilization Fund – AL #84.425
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2022**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2021-001	Identification and Documentation of Equipment Acquisitions – Noncompliance and Material Weakness	Fully Corrected	Finding No Longer Valid

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

**Phillip J. Oko**  
 Treasurer/CFO

**Board of Education**

**Nichelle N. Daniels**  
 President

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

**Anthony Isom**

**Heather Morrison**

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



**Board of Education Offices**  
 5640 Briarcliff Drive  
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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 3/30/2023**

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)