



OHIO AUDITOR OF STATE
KEITH FABER



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

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

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INDEPENDENT AUDITOR'S REPORT

City of Garfield Heights
Cuyahoga County
5407 Turney Road
Garfield Heights, Ohio 44125

To the City Council:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Cuyahoga County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows 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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 are 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 January 15, 2025 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2025

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City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

This discussion and analysis of the City of Garfield Heights' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- During 2021, revenues exceeded expenses due to management carefully monitoring costs. Net position increased primarily due to an increase in current and other assets, net pension and net OPEB assets, and capital assets combined with a decrease in net pension and net OPEB liabilities and the continued pay down of outstanding debt.
- The City continues to focus on the maintenance and repair of streets. During 2021, the City completed a number of road projects including Antennuci phase 1 and Granger Road hill storm sewer project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$341,050 or 1.47 percent of total general fund expenditures.

Using this Annual 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 City of Garfield Heights as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a long-term view of those activities. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Garfield Heights as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration and all other departments. The City of Garfield Heights does not operate any business-type activities and has no component units.

Reporting the City of Garfield Heights' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Garfield Heights, the City's major funds are the general fund and storm and sewer and street improvement capital projects funds. All other funds of the City are grouped together in the category of other governmental funds.

Governmental Funds All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. 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.

Proprietary Funds The City maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for revenues used to provide for medical claims of City employees. The proprietary fund uses the accrual basis of accounting.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are custodial funds.

The City of Garfield Heights as a Whole

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

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 1
 Net Position

| | Governmental Activities | | |
|---|-------------------------|---------------------|---------------------|
| | 2021 | 2020 | Change |
| Assets | | | |
| Current and Other Assets | \$39,254,033 | \$34,336,404 | \$4,917,629 |
| Net Pension Asset | 85,820 | 62,850 | 22,970 |
| Net OPEB Asset | 645,573 | 0 | 645,573 |
| Capital Assets, Net | <u>54,009,678</u> | <u>53,573,687</u> | <u>435,991</u> |
| <i>Total Assets</i> | <i>93,995,104</i> | <i>87,972,941</i> | <i>6,022,163</i> |
| Deferred Outflows of Resources | | | |
| Deferred Charge on Refunding | 103,151 | 121,280 | (18,129) |
| Pension | 3,989,477 | 4,356,325 | (366,848) |
| OPEB | <u>2,187,750</u> | <u>2,876,650</u> | <u>(688,900)</u> |
| <i>Total Deferred Outflows of Resources</i> | <i>6,280,378</i> | <i>7,354,255</i> | <i>(1,073,877)</i> |
| Liabilities | | | |
| Current and Other Liabilities | 3,949,978 | 4,509,377 | 559,399 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 2,607,768 | 1,928,548 | (679,220) |
| Due in More than One Year | | | |
| Net Pension Liability | 26,455,455 | 29,470,682 | 3,015,227 |
| Net OPEB Liability | 3,255,956 | 8,566,199 | 5,310,243 |
| Other Amounts | <u>14,396,766</u> | <u>16,450,905</u> | <u>2,054,139</u> |
| <i>Total Liabilities</i> | <i>50,665,923</i> | <i>60,925,711</i> | <i>10,259,788</i> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 9,215,840 | 7,776,988 | (1,438,852) |
| Payments in Lieu of Taxes | 699,359 | 845,938 | 146,579 |
| Pension | 5,737,996 | 4,599,396 | (1,138,600) |
| OPEB | <u>3,653,864</u> | <u>2,145,968</u> | <u>(1,507,896)</u> |
| <i>Total Deferred Inflows of Resources</i> | <i>19,307,059</i> | <i>15,368,290</i> | <i>(3,938,769)</i> |
| Net Position | | | |
| Net Investment in Capital Assets | 44,131,307 | 42,543,612 | 1,587,695 |
| Restricted: | | | |
| Capital Projects | 6,369,947 | 2,731,669 | 3,638,278 |
| Debt Service | 1,538,885 | 1,058,291 | 480,594 |
| Street Lighting | 222,870 | 241,413 | (18,543) |
| Courts | 156,912 | 150,171 | 6,741 |
| Other Purposes | 3,669,454 | 3,402,060 | 267,394 |
| Unrestricted (Deficit) | <u>(25,786,875)</u> | <u>(31,094,021)</u> | <u>5,307,146</u> |
| <i>Total Net Position</i> | <i>\$30,302,500</i> | <i>\$19,033,195</i> | <i>\$11,269,305</i> |

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

The net pension liability (NPL) and net OPEB liability (NOL) are the largest liabilities reported by the City at December 31, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the position of the City has increased as evidenced by the increase in net position. The increase in assets is primarily due to increases in current and other assets as well as capital asset additions related to street projects. Liabilities decreased due to decreases in net pension and OPEB liabilities. Management continues to diligently plan expenses, staying carefully within the City’s revenues in an effort to maintain excellent levels of service within the constraints of the budget.

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

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 2
 Changes in Net Position

| | Governmental Activities | | |
|---|----------------------------|----------------------------|----------------------------|
| | 2021 | 2020 | Change |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$5,028,833 | \$5,261,106 | (\$232,273) |
| Operating Grants | 3,002,631 | 3,332,844 | (330,213) |
| Capital Grants and Assessments | <u>6,631,878</u> | <u>1,178,848</u> | <u>5,453,030</u> |
| <i>Total Program Revenues</i> | <u>14,663,342</u> | <u>9,772,798</u> | <u>4,890,544</u> |
| General Revenues | | | |
| Property Taxes | 8,969,115 | 8,569,515 | 399,600 |
| Municipal Income Taxes | 12,773,445 | 12,071,290 | 702,155 |
| Grants and Entitlements not Restricted to Specific Programs | 2,344,038 | 2,202,928 | 141,110 |
| Payments in Lieu of Taxes | 856,819 | 845,938 | 10,881 |
| Interest | 9,485 | 48,691 | (39,206) |
| Franchise Fees | 327,597 | 368,398 | (40,801) |
| Gain on Sale of Capital Assets | 81,784 | 0 | 81,784 |
| Other | <u>1,619,231</u> | <u>2,615,460</u> | <u>(996,229)</u> |
| <i>Total General Revenues</i> | <u>26,981,514</u> | <u>26,722,220</u> | <u>259,294</u> |
| <i>Total Revenues</i> | <u>41,644,856</u> | <u>36,495,018</u> | <u>5,149,838</u> |
| Program Expenses | | | |
| General Government | 7,276,481 | 9,852,053 | 2,575,572 |
| Security of Persons and Property | 14,110,461 | 15,353,606 | 1,243,145 |
| Public Health Services | 330,732 | 741,590 | 410,858 |
| Transportation | 5,194,356 | 5,861,486 | 667,130 |
| Community Development | 358,268 | 445,410 | 87,142 |
| Basic Utility Services | 1,915,382 | 2,309,255 | 393,873 |
| Leisure Time Activities | 821,097 | 1,010,609 | 189,512 |
| Interest and Fiscal Charges | <u>368,774</u> | <u>479,451</u> | <u>110,677</u> |
| <i>Total Program Expenses</i> | <u>30,375,551</u> | <u>36,053,460</u> | <u>5,677,909</u> |
| <i>Change in Net Position</i> | <u>11,269,305</u> | <u>441,558</u> | <u>10,827,747</u> |
| Net Position Beginning of Year | <u>19,033,195</u> | <u>18,591,637</u> | <u>441,558</u> |
| <i>Net Position End of Year</i> | <u>\$30,302,500</u> | <u>\$19,033,195</u> | <u>\$11,269,305</u> |

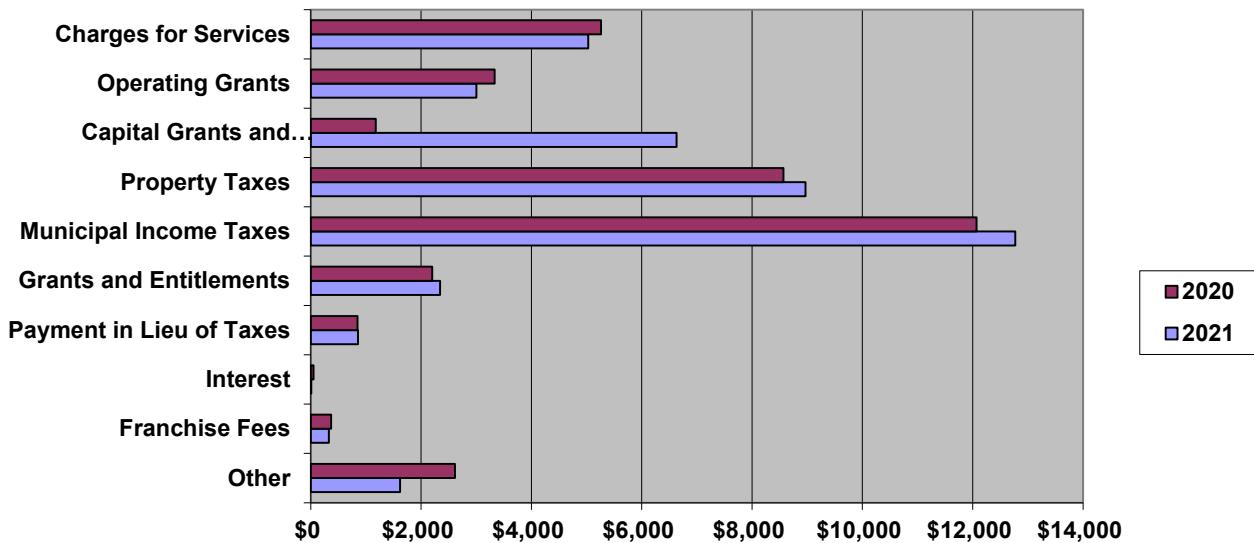
Governmental Activities

Governmental activities increased the City's net position by \$11,269,305 during 2021, as compared to a change of \$441,558 during 2020.

Several revenue sources fund our governmental activities, with income taxes being the largest. Municipal income taxes increased in 2021. The income tax rate of 2.0 percent, with a 100 percent credit for payments made to other cities, was approved by a vote of our citizens in 1982, which took effect in January of 1983. Property taxes are the second largest source of revenue. Property taxes increased during 2021 due to an increase in delinquent taxes available for collection at December 31, 2021.

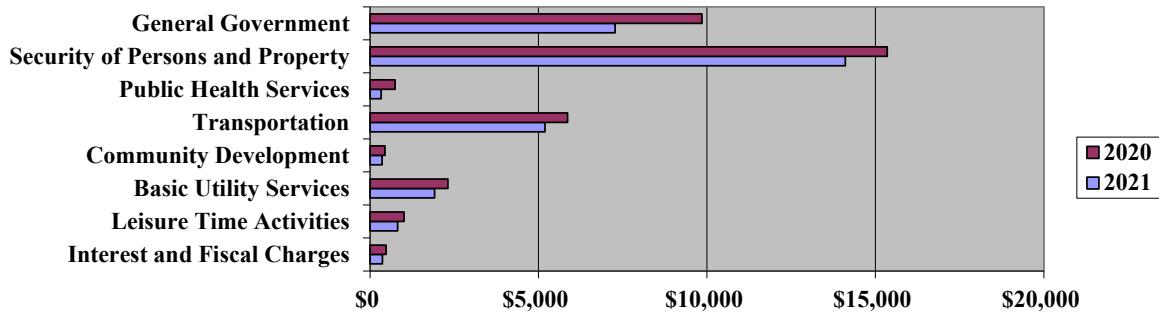
City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Governmental Revenues (In Thousands)



Major expense activities, under the accrual basis of accounting, include security of persons and property expenses and general government programs. Overall expenses decreased from 2020, as is shown in the chart below. The decrease is largely related to decreases in general government, security of persons and property and transportation

Governmental Expenses (In Thousands)



The City's Funds

Information about the City's major governmental funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund and storm and sewer and street improvement capital projects funds. The general fund and street improvement capital project fund saw decreases in fund balance due to expenditures outpacing revenues for the year. The storm and sewer capital project fund saw an increase in fund balance due to revenues exceeding expenditures for the year.

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

General Fund Budgeting Highlights

The City'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 budgeted fund is the general fund.

During the course of 2021, the City amended its general fund budget. All recommendations for any budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. In 2013, the City amended the form of its budgetary ordinances. In past years, the City would budget to the individual line item thus not allowing for the Finance Director or the Departmental Director to make minor budget adjustments throughout the year. The City's 2014 budgetary ordinance and all amendments thereto, were compiled only to the object level, thus allowing for minor changes to be made within the object level grouping without the necessity of a formal ordinance to approve the change. With the general fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the general fund is monitored closely for possible revenue shortfalls or over spending by individual departments.

In 2021, the general fund's final revenue estimate was the same as the original revenue estimate. The general fund's actual revenue was higher than the final revenue estimate due to higher than anticipated collections. Actual expenditures plus other financing uses were lower than the final budget. Through careful monitoring by the administration, the City was able to spend less than the expected budget.

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3
Capital Assets at Year End
(Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2021 | 2020 |
| Land | \$2,910,941 | \$2,910,941 |
| Construction in Progress | 3,823,575 | 786,784 |
| Buildings and Improvements | 8,089,759 | 8,459,764 |
| Vehicles | 1,937,078 | 1,914,225 |
| Machinery and Equipment | 2,068,622 | 1,921,857 |
| Furniture and Fixtures | 159,052 | 200,631 |
| Infrastructure | 35,020,651 | 37,379,485 |
| Total | \$54,009,678 | \$53,573,687 |

Total capital assets for the City as of December 31, 2021 increased over 2020 due to capital asset additions outpacing annual depreciation. Capital asset additions for 2021 consisted of additions to construction in progress, buildings, improvements other than buildings, vehicles, machinery and equipment and infrastructure. The additions to infrastructure are related to a number of road projects completed during 2021. The addition to construction relates to Broadway watermain replacement, Midwest neighborhood phase 4, multi-street phase 5 and Orchard repair. See Note 11 for additional information on the City's capital assets.

Long Term Obligations

The City's overall debt margin at December 31, 2021 was \$24,907,609. Table 4 indicates the total outstanding long-term debt of the City.

City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 4
 Long-Term Obligations at Year End

| | Governmental Activities | |
|--------------------------------------|-------------------------|---------------------|
| | 2021 | 2020 |
| General Obligation Bonds | \$8,653,216 | \$10,119,399 |
| Bond Anticipation Notes | 2,612,220 | 2,814,910 |
| Net Pension Liability | 26,455,455 | 29,470,682 |
| Net OPEB Liability | 3,255,956 | 8,566,199 |
| Compensated Absences | 4,084,283 | 4,035,031 |
| Worker's Compensation Claims Payable | 1,153 | 34,911 |
| Police and Fire Liability | 407,649 | 429,712 |
| Settlement Payable | 500,000 | 0 |
| Asset Retirement Obligation | 125,000 | 125,000 |
| Capital Leases Payable | 621,013 | 820,490 |
| Total | \$46,715,945 | \$56,416,334 |

The police and fire loan shown in Table 4 above, in the amount of \$407,649 identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands, for principal and interest for this obligation, total over \$40,000 annually through the year 2035. See Note 15 for detailed long-term debt information.

Current Financial Related Activities

The City maintains a careful watch over its financial operations. This, coupled with an improving economy, should help the City continue to remain financially strong. In addition, the City of Garfield Heights has strong budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the Citizens of Garfield Heights with full disclosure of the financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide the citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Barbara Biro, Finance Director, City of Garfield Heights, 5407 Turney Road, Garfield Heights, Ohio 44125, phone: (216) 475-1100.

City of Garfield Heights, Ohio

Statement of Net Position

December 31, 2021

| | <u>Governmental Activities</u> |
|--|--------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$14,712,616 |
| Cash and Cash Equivalents With Fiscal Agents | 1,052,812 |
| Accounts Receivable | 3,545,449 |
| Intergovernmental Receivable | 2,119,961 |
| Prepaid Items | 360,938 |
| Materials and Supplies Inventory | 62,331 |
| Municipal Income Taxes Receivable | 3,126,951 |
| Property Taxes Receivable | 13,573,616 |
| Payments in Lieu of Taxes Receivable | 699,359 |
| Net Pension Asset (See Note 19) | 85,820 |
| Net OPEB Asset (See Note 20) | 645,573 |
| Nondepreciable Capital Assets | 6,734,516 |
| Depreciable Capital Assets, Net | <u>47,275,162</u> |
| <i>Total Assets</i> | <u>93,995,104</u> |
| Deferred Outflows of Resources | |
| Deferred Charge on Refunding | 103,151 |
| Pension | 3,989,477 |
| OPEB | <u>2,187,750</u> |
| <i>Total Deferred Outflows of Resources</i> | <u>6,280,378</u> |
| Liabilities | |
| Accounts Payable | 327,862 |
| Contracts Payable | 6,640 |
| Accrued Wages | 138,496 |
| Matured Capital Lease Payable | 12,300 |
| Matured Interest Payable | 1,200 |
| Retainage Payable | 187,193 |
| Intergovernmental Payable | 285,942 |
| Deposits Held Payable from Restricted Assets | 197,603 |
| Unearned Revenue | 1,961,467 |
| Notes Payable | 200,940 |
| Accrued Interest Payable | 51,251 |
| Claims Payable | 579,084 |
| Long-Term Liabilities: | |
| Due Within One Year | 2,607,768 |
| Due In More Than One Year | |
| Net Pension Liability (See Note 19) | 26,455,455 |
| Net OPEB Liability (See Note 20) | 3,255,956 |
| Other Amounts | <u>14,396,766</u> |
| <i>Total Liabilities</i> | <u>50,665,923</u> |
| Deferred Inflows of Resources | |
| Property Taxes | 9,215,840 |
| Payments in Lieu of Taxes | 699,359 |
| Pension | 5,737,996 |
| OPEB | <u>3,653,864</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>19,307,059</u> |
| Net Position | |
| Net Investment in Capital Assets | 44,131,307 |
| Restricted for: | |
| Capital Projects | 6,369,947 |
| Debt Service | 1,538,885 |
| Street Lighting | 222,870 |
| Courts | 156,912 |
| Other Purposes | 3,669,454 |
| Unrestricted (Deficit) | <u>(25,786,875)</u> |
| <i>Total Net Position</i> | <u>\$30,302,500</u> |

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2021

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|---|---------------------|-------------------------|---------------------|--------------------------------------|--|
| | Expenses | Charges for Services | Operating Grants | Capital Grants and Assessments | |
| Governmental Activities: | | | | | |
| General Government | \$7,276,481 | \$1,851,069 | \$1,604,388 | \$365,349 | (\$3,455,675) |
| Security of Persons and Property | 14,110,461 | 2,532,028 | 31,694 | 0 | (11,546,739) |
| Public Health Services | 330,732 | 79,819 | 0 | 0 | (250,913) |
| Transportation | 5,194,356 | 0 | 1,317,218 | 0 | (3,877,138) |
| Community Development | 358,268 | 67,427 | 0 | 0 | (290,841) |
| Basic Utility Services | 1,915,382 | 384,934 | 49,331 | 6,266,529 | 4,785,412 |
| Leisure Time Activities | 821,097 | 113,556 | 0 | 0 | (707,541) |
| Interest and Fiscal Charges | 368,774 | 0 | 0 | 0 | (368,774) |
| <i>Totals</i> | <i>\$30,375,551</i> | <i>\$5,028,833</i> | <i>\$3,002,631</i> | <i>\$6,631,878</i> | <i>(15,712,209)</i> |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 6,990,570 |
| Street Lighting | | | | | 354,127 |
| Police Pension | | | | | 93,010 |
| Fire Pension | | | | | 93,010 |
| Debt Service | | | | | 1,128,400 |
| Capital Outlay | | | | | 309,998 |
| Municipal Income Tax Levied for: | | | | | |
| General Purposes | | | | | 10,386,691 |
| Street Construction, Maintenance and Repair | | | | | 746,478 |
| Debt Service | | | | | 870,892 |
| Capital Outlay | | | | | 769,384 |
| Grants and Entitlements not | | | | | |
| Restricted to Specific Programs | | | | | 2,344,038 |
| Payments in Lieu of Taxes | | | | | 856,819 |
| Interest | | | | | 9,485 |
| Franchise Fees | | | | | 327,597 |
| Gain on Sale of Capital Assets | | | | | 81,784 |
| Other | | | | | <u>1,619,231</u> |
| <i>Total General Revenues</i> | | | | | <u>26,981,514</u> |
| Change in Net Position | | | | | 11,269,305 |
| <i>Net Position Beginning of Year</i> | | | | | <u>19,033,195</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$30,302,500</u> |

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2021

| | <u>General</u> | <u>Storm and Sewer</u> | <u>Street Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|----------------------------|-------------------------------|---|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,192,252 | \$4,431,992 | \$1,081,549 | \$5,581,654 | \$14,287,447 |
| Accounts Receivable | 3,524,871 | 0 | 19,928 | 650 | 3,545,449 |
| Intergovernmental Receivable | 1,152,622 | 17 | 0 | 967,322 | 2,119,961 |
| Prepaid Items | 292,389 | 834 | 0 | 67,715 | 360,938 |
| Materials and Supplies Inventory | 53,391 | 0 | 0 | 8,940 | 62,331 |
| Municipal Income Taxes Receivable | 2,532,830 | 187,617 | 0 | 406,504 | 3,126,951 |
| Property Taxes Receivable | 10,601,885 | 0 | 0 | 2,971,731 | 13,573,616 |
| Payments in Lieu of Taxes Receivable | 0 | 0 | 0 | 699,359 | 699,359 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 309,669 | 0 | 0 | 115,500 | 425,169 |
| <i>Total Assets</i> | <u>\$21,659,909</u> | <u>\$4,620,460</u> | <u>\$1,101,477</u> | <u>\$10,819,375</u> | <u>\$38,201,221</u> |
| Liabilities | | | | | |
| Accounts Payable | \$251,187 | \$1,516 | \$19,928 | \$55,231 | \$327,862 |
| Contracts Payable | 0 | 0 | 0 | 6,640 | 6,640 |
| Accrued Wages | 124,941 | 707 | 0 | 12,848 | 138,496 |
| Matured Capital Lease Payable | 12,300 | 0 | 0 | 0 | 12,300 |
| Matured Interest Payable | 1,200 | 0 | 0 | 0 | 1,200 |
| Retainage Payable | 0 | 66,455 | 0 | 120,738 | 187,193 |
| Intergovernmental Payable | 132,020 | 888 | 0 | 153,034 | 285,942 |
| Deposits Held Payable from Restricted Assets | 82,103 | 0 | 0 | 115,500 | 197,603 |
| Unearned Revenue | 380,400 | 0 | 0 | 1,581,067 | 1,961,467 |
| Interfund Payable | 541,824 | 0 | 0 | 30,687 | 572,511 |
| Accrued Interest Payable | 0 | 0 | 1,375 | 0 | 1,375 |
| Notes Payable | 0 | 0 | 200,940 | 0 | 200,940 |
| Claims Payable | 6,240 | 0 | 0 | 333 | 6,573 |
| <i>Total Liabilities</i> | <u>1,532,215</u> | <u>69,566</u> | <u>222,243</u> | <u>2,076,078</u> | <u>3,900,102</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes | 7,198,176 | 0 | 0 | 2,017,664 | 9,215,840 |
| Payments in Lieu of Taxes | 0 | 0 | 0 | 699,359 | 699,359 |
| Unavailable Revenue | 8,739,823 | 134,187 | 0 | 1,930,196 | 10,804,206 |
| <i>Total Deferred Inflows of Resources</i> | <u>15,937,999</u> | <u>134,187</u> | <u>0</u> | <u>4,647,219</u> | <u>20,719,405</u> |
| Fund Balances | | | | | |
| Nonspendable | 573,346 | 834 | 0 | 76,655 | 650,835 |
| Restricted | 0 | 4,415,873 | 879,234 | 4,259,618 | 9,554,725 |
| Assigned | 3,275,299 | 0 | 0 | 0 | 3,275,299 |
| Unassigned (Deficit) | 341,050 | 0 | 0 | (240,195) | 100,855 |
| <i>Total Fund Balances</i> | <u>4,189,695</u> | <u>4,416,707</u> | <u>879,234</u> | <u>4,096,078</u> | <u>13,581,714</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u><u>\$21,659,909</u></u> | <u><u>\$4,620,460</u></u> | <u><u>\$1,101,477</u></u> | <u><u>\$10,819,375</u></u> | <u><u>\$38,201,221</u></u> |

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2021*

Total Governmental Fund Balances \$13,581,714

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. 54,009,678

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

| | |
|----------------------------|---------------|
| Delinquent Property Taxes | 4,357,776 |
| Municipal Income Taxes | 2,236,450 |
| Intergovernmental | 1,616,803 |
| Charges for Services | 2,510,075 |
| Fees, Licenses and Permits | 34,193 |
| Franchise Taxes | <u>48,909</u> |

Total 10,804,206

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (49,876)

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,052,812

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. 103,151

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

| | |
|-----------------------------|--------------------|
| Net Pension Asset | 85,820 |
| Deferred Outflows - Pension | 3,989,477 |
| Deferred Inflows - Pension | (5,737,996) |
| Net Pension Liability | (26,455,455) |
| Net OPEB Asset | 645,573 |
| Deferred Outflows - OPEB | 2,187,750 |
| Deferred Inflows - OPEB | (3,653,864) |
| Net OPEB Liability | <u>(3,255,956)</u> |

Total (32,194,651)

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

| | |
|-----------------------------|------------------|
| General Obligation Bonds | (8,653,216) |
| Long-Term Notes | (2,612,220) |
| Compensated Absences | (4,084,283) |
| Claims Payable | (1,153) |
| Police and Fire Liability | (407,649) |
| Settlement Payable | (500,000) |
| Asset Retirement Obligation | (125,000) |
| Capital Leases | <u>(621,013)</u> |

Total (17,004,534)

Net Position of Governmental Activities \$30,302,500

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

| | General | Storm and Sewer | Street Improvement | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------|-----------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$6,582,833 | \$0 | \$0 | \$1,890,343 | \$8,473,176 |
| Municipal Income Taxes | 9,912,991 | 734,295 | 0 | 1,541,343 | 12,188,629 |
| Charges for Services | 3,818,601 | 0 | 0 | 0 | 3,818,601 |
| Fees, Licenses and Permits | 500,106 | 0 | 0 | 0 | 500,106 |
| Fines and Forfeitures | 199,338 | 0 | 0 | 580,782 | 780,120 |
| Intergovernmental | 2,087,568 | 6,266,529 | 320,689 | 3,190,735 | 11,865,521 |
| Interest | 8,847 | 0 | 0 | 638 | 9,485 |
| Franchise Fees | 327,597 | 0 | 0 | 0 | 327,597 |
| Payments in Lieu of Taxes | 0 | 0 | 0 | 856,819 | 856,819 |
| Other | 636,338 | 103 | 19,928 | 962,862 | 1,619,231 |
| <i>Total Revenues</i> | <i>24,074,219</i> | <i>7,000,927</i> | <i>340,617</i> | <i>9,023,522</i> | <i>40,439,285</i> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 6,516,528 | 0 | 0 | 1,861,113 | 8,377,641 |
| Security of Persons and Property | 12,776,260 | 0 | 0 | 1,938,018 | 14,714,278 |
| Public Health Services | 536,489 | 0 | 0 | 0 | 536,489 |
| Transportation | 0 | 0 | 0 | 3,348,012 | 3,348,012 |
| Community Development | 334,132 | 0 | 0 | 206,029 | 540,161 |
| Basic Utility Services | 1,984,840 | 0 | 0 | 496,768 | 2,481,608 |
| Leisure Time Activities | 853,914 | 0 | 0 | 0 | 853,914 |
| Capital Outlay | 0 | 3,208,032 | 575,949 | 223,551 | 4,007,532 |
| Debt Service: | | | | | |
| Principal Retirement | 109,973 | 0 | 2,800,000 | 1,579,167 | 4,489,140 |
| Interest and Fiscal Charges | 10,107 | 0 | 42,870 | 339,733 | 392,710 |
| <i>Total Expenditures</i> | <i>23,122,243</i> | <i>3,208,032</i> | <i>3,418,819</i> | <i>9,992,391</i> | <i>39,741,485</i> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <i>951,976</i> | <i>3,792,895</i> | <i>(3,078,202)</i> | <i>(968,869)</i> | <i>697,800</i> |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 81,784 | 0 | 0 | 0 | 81,784 |
| General Obligation Notes Issued | 0 | 0 | 2,624,440 | 0 | 2,624,440 |
| Transfers In | 5,956 | 0 | 250,000 | 2,133,502 | 2,389,458 |
| Transfers Out | (1,778,416) | (73,918) | 0 | (537,124) | (2,389,458) |
| <i>Total Other Financing Sources (Uses)</i> | <i>(1,690,676)</i> | <i>(73,918)</i> | <i>2,874,440</i> | <i>1,596,378</i> | <i>2,706,224</i> |
| <i>Net Change in Fund Balances</i> | <i>(738,700)</i> | <i>3,718,977</i> | <i>(203,762)</i> | <i>627,509</i> | <i>3,404,024</i> |
| <i>Fund Balances Beginning of Year</i> | <i>4,928,395</i> | <i>697,730</i> | <i>1,082,996</i> | <i>3,468,569</i> | <i>10,177,690</i> |
| <i>Fund Balances End of Year</i> | <i>\$4,189,695</i> | <i>\$4,416,707</i> | <i>\$879,234</i> | <i>\$4,096,078</i> | <i>\$13,581,714</i> |

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2021*

Net Change in Fund Balances - Total Governmental Funds \$3,404,024

*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 capital outlay exceeded depreciation in the current period:

| | | |
|---------------------------|--------------------|---------|
| Capital Assets Additions | 4,308,905 | |
| Current Year Depreciation | <u>(3,833,802)</u> | |
| Total | | 475,103 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (39,112)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

| | | |
|----------------------------|-----------------|-----------|
| Delinquent Property Taxes | 495,939 | |
| Municipal Income Taxes | 584,816 | |
| Intergovernmental | 113,026 | |
| Charges for Services | (49,150) | |
| Fees, Licenses and Permits | <u>(20,844)</u> | |
| Total | | 1,123,787 |

Other financing sources in the governmental funds, such as General Obligation Notes Issued, increase long-term in the statement of net assets. (2,624,440)

The internal service fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among the governmental activities. (359,408)

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

| | | |
|---------|---------------|-----------|
| Pension | 2,542,756 | |
| OPEB | <u>43,929</u> | |
| Total | | 2,586,685 |

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

| | | |
|---------|------------------|-----------|
| Pension | (1,010,007) | |
| OPEB | <u>3,715,091</u> | |
| Total | | 2,705,084 |

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,489,140

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:

| | | |
|--|---------------|--------|
| Accrued Interest on Bonds | 16,352 | |
| Amortization of Deferred Charge on Refunding | (18,129) | |
| Amortization of Bond Discount | (1,417) | |
| Amortization of Note Premium | <u>27,130</u> | |
| Total | | 23,936 |

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 | (49,252) | |
| Claims | 33,758 | |
| Settlement Payable | <u>(500,000)</u> | |
| Total | | (515,494) |

Change in Net Position of Governmental Activities \$11,269,305

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 General Fund*
For the Year Ended December 31, 2021

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|-----------------------------|---------------------------|-------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$5,879,389 | \$5,879,389 | \$6,538,471 | \$659,082 |
| Municipal Income Taxes | 8,504,098 | 8,504,098 | 9,475,970 | 971,872 |
| Charges for Services | 3,285,810 | 3,285,810 | 3,654,151 | 368,341 |
| Fees, Licenses and Permits | 452,126 | 452,126 | 502,810 | 50,684 |
| Fines and Forfeitures | 168,069 | 168,069 | 186,910 | 18,841 |
| Intergovernmental | 1,858,428 | 1,858,428 | 2,066,759 | 208,331 |
| Interest | 7,955 | 7,955 | 8,847 | 892 |
| Franchise Fees | 284,884 | 284,884 | 316,820 | 31,936 |
| Other | 321,725 | 321,725 | 366,951 | 45,226 |
| <i>Total Revenues</i> | <u>20,762,484</u> | <u>20,762,484</u> | <u>23,117,689</u> | <u>2,355,205</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 6,323,584 | 7,459,699 | 6,504,716 | 954,983 |
| Security of Persons and Property | 12,285,175 | 13,655,825 | 13,089,930 | 565,895 |
| Public Health Services | 253,913 | 257,363 | 250,961 | 6,402 |
| Community Development | 320,616 | 367,816 | 342,156 | 25,660 |
| Basic Utility Services | 2,115,000 | 2,365,000 | 1,965,204 | 399,796 |
| Debt Service: | | | | |
| Principal Retirement | 45,978 | 50,595 | 50,378 | 217 |
| Interest and Fiscal Charges | 5,430 | 5,430 | 4,398 | 1,032 |
| <i>Total Expenditures</i> | <u>21,349,696</u> | <u>24,161,728</u> | <u>22,207,743</u> | <u>1,953,985</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(587,212)</u> | <u>(3,399,244)</u> | <u>909,946</u> | <u>4,309,190</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 81,784 | 81,784 | 81,784 | 0 |
| Transfers In | 5,956 | 5,956 | 5,956 | 0 |
| Transfers Out | (2,121,737) | (4,711,348) | (2,172,100) | 2,539,248 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,033,997)</u> | <u>(4,623,608)</u> | <u>(2,084,360)</u> | <u>2,539,248</u> |
| <i>Net Change in Fund Balance</i> | <u>(2,621,209)</u> | <u>(8,022,852)</u> | <u>(1,174,414)</u> | <u>6,848,438</u> |
| <i>Fund Balance Beginning of Year</i> | <u>3,016,546</u> | <u>3,016,546</u> | <u>3,016,546</u> | <u>0</u> |
| Prior Year Encumbrances Appropriated | <u>564,900</u> | <u>564,900</u> | <u>564,900</u> | <u>0</u> |
| <i>Fund Balance (Deficit) End of Year</i> | <u>\$960,237</u> | <u>(\$4,441,406)</u> | <u>\$2,407,032</u> | <u>\$6,848,438</u> |

See accompanying notes to the basic financial statements

City of Garfield Heights
Statement of Fund Net Position
Internal Service Fund
December 31, 2021

| | Internal Service |
|--|-----------------------------|
| Assets | |
| Cash and Cash Equivalents With Fiscal Agents | \$1,052,812 |
| Interfund Receivable | <u>572,511</u> |
| <i>Total Assets</i> | 1,625,323 |
| Liabilities | |
| Claims Payable | <u>572,511</u> |
| Net Position | |
| Unrestricted | <u><u>\$1,052,812</u></u> |

See accompanying notes to the basic financial statements

City of Garfield Heights
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Internal Service Fund
 For the Year Ended December 31, 2021*

| | Internal Service |
|---|---------------------------|
| Operating Revenues | |
| Charges for Services | \$4,160,785 |
| Miscellaneous | <u>103,935</u> |
| <i>Total Operating Revenues</i> | <u>4,264,720</u> |
| Operating Expenses | |
| Purchased Services | 767,612 |
| Claims | <u>3,867,596</u> |
| <i>Total Operating Expenses</i> | <u>4,635,208</u> |
| <i>Operating Income (Loss)</i> | (370,488) |
| Non-Operating Operating Revenues | |
| Interest | <u>11,080</u> |
| <i>Change in Net Position</i> | (359,408) |
| <i>Net Position Beginning of Year</i> | <u>1,412,220</u> |
| <i>Net Position End of Year</i> | <u><u>\$1,052,812</u></u> |

See accompanying notes to the basic financial statements

City of Garfield Heights
Statement of Cash Flows
Internal Service Fund
For the Year Ended December 31, 2021

Internal
Service

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

| | |
|--|--------------------|
| Cash Received from Interfund Services Provided | \$4,116,285 |
| Cash Received from Other Sources | 103,935 |
| Cash Payments for Services | (767,612) |
| Cash Payments for Claims | <u>(3,823,096)</u> |

| | |
|---|------------------|
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <i>(370,488)</i> |
|---|------------------|

Cash Flows from Investing Activities

| | |
|-------------------------|---------------|
| Interest on Investments | <u>11,080</u> |
|-------------------------|---------------|

| | |
|---|------------------|
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | <i>(359,408)</i> |
|---|------------------|

| | |
|--|------------------|
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>1,412,220</u> |
|--|------------------|

| | |
|--|---------------------------|
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$1,052,812</u></u> |
|--|---------------------------|

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used for) Operating Activities**

| | |
|-------------------------|-------------|
| Operating Income (Loss) | (\$370,488) |
|-------------------------|-------------|

Adjustments:

| | |
|---------------------------------------|--|
| <i>(Increase) Decrease in Assets:</i> | |
|---------------------------------------|--|

| | |
|----------------------|----------|
| Interfund Receivable | (44,500) |
|----------------------|----------|

| | |
|--|--|
| <i>Increase (Decrease) in Liabilities:</i> | |
|--|--|

| | |
|----------------|---------------|
| Claims Payable | <u>44,500</u> |
|----------------|---------------|

| | |
|---|---------------------------|
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u><u>(\$370,488)</u></u> |
|---|---------------------------|

See accompanying notes to the basic financial statements

City of Garfield Heights
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021

Assets

| | |
|--|------------------|
| Cash and Cash Equivalents in Segregated Accounts | <u>\$197,421</u> |
|--|------------------|

Liabilities

| | |
|---------------------------|----------------|
| Accounts Payable | 6,589 |
| Intergovernmental Payable | <u>190,832</u> |

Total Liabilities

| |
|----------------|
| <u>197,421</u> |
|----------------|

Net Position

| | |
|---|------------|
| Restricted for Individuals or Other Governments | <u>\$0</u> |
|---|------------|

See accompanying notes to the basic financial statements

City of Garfield Heights
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2021

Additions

| | |
|---|------------------|
| Fines and Forfeitures for Individuals | \$58,218 |
| Fines and Forfeitures for Other Governments | <u>2,675,012</u> |
| <i>Total Additions</i> | <u>2,733,230</u> |

Deductions

| | |
|--|------------------|
| Fines and Forfeitures Distributions to Individuals | 60,117 |
| Fines and Forfeitures Distributions to Other Governments | <u>2,673,113</u> |
| <i>Total Deductions</i> | <u>2,733,230</u> |

Net Increase in Fiduciary Net Position 0

Net Position Beginning of Year 0

Net Position End of Year \$0

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 1 - Description of the City and Reporting Entity

The City of Garfield Heights (the “City”) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances and evidences of indebtedness of the City. The Mayor appoints the law director, finance director and service director with approval from Council.

Legislative authority is vested in a seven member council elected from wards. Council members are elected to two-year terms. The seven Council members elect one of their own to act as the President of Council and the President Pro-Tem. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators (the Mayor, law director, finance director and service director).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes the agencies and departments that provide the following services: police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in the Northeast Ohio Public Energy Council, the First Suburbs Consortium of Northeast Ohio Council of Governments, First Suburbs Development Council and the Regional Income Tax Agency, jointly governed organizations and the Jefferson Health Plan, an insurance purchasing pool. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Garfield Heights 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 City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds, governmental, proprietary and fiduciary.

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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Storm and Sewer Capital Projects Fund This fund is used to account for and report restricted grant and loan monies to be used for storm and sewer capital construction and the acquisition of capital assets.

Street Improvement Capital Projects Fund This fund is used to account for and report restricted grant and loan monies to be used for street capital construction and the acquisition of capital assets.

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

Proprietary Funds Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the City has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for self insurance for medical claims of City employees.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) 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 arrangement that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected for the benefit of and distributed to other governments and individuals on behalf of the municipal court.

Measurement Focus

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

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial 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 proprietary and 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for 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 19 and 20.

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 City, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, fees, licenses and permits, franchise taxes and intergovernmental grants. 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 balance to net position of governmental activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 19 and 20).

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

Cash and Cash Equivalents

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

The City utilizes a financial institution to service self-insurance payments as they come due. The balances in these accounts are presented in the statements as “cash and cash equivalents with fiscal agents.”

The City has segregated bank accounts for monies held separate from the City’s central bank account. These depository accounts are presented as “cash and cash equivalents in segregated accounts” and represent deposits in the municipal court.

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 City 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 an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$250 million per day, 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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2021 amounted to \$8,847 which includes \$6,589 assigned from other City funds.

For presentation on the financial statements, investments of the cash management pool and investments not purchased from the pool with an original maturity of three months or less are considered to be cash equivalents.

Inventory

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies and for deposits held payable. Restricted assets in the fire escrow special revenue fund represent deposits made by property owners or insurance companies to ensure that fire damaged buildings are restored or razed in compliance with the City building code.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City does not have a capitalization threshold. 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 capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|-----------------------------------|-----------------|
| Buildings | 10 - 45 years |
| Improvements Other than Buildings | 10 - 45 years |
| Vehicles | 6 - 20 years |
| Machinery and Equipment | 1 - 20 years |
| Furniture and Fixtures | 5 - 20 years |
| Infrastructure | 25 - 50 years |

Infrastructure consists of roadways, sidewalks and trails, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused vacation and sick leave for all employees after one year of service.

Accrued Liabilities and Long-term Obligations

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

Fund Balance

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

Nonspendable The nonspendable fund balance 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 or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution as both are legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

amount that is not restricted or committed. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2022's appropriated budget and for the recreation and nutrition programs.

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 fund balance.

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

Net Position

Net position 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 either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for law enforcement and education, community development and street repair and maintenance.

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

Internal Activity

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

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

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On fund financial statements, bond discounts are expended in the year the bonds are issued.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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 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.

Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are classified as nonspendable fund balance. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for health insurance. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Estimates

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

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for 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 are presented in the basic financial statements for the general fund. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

4. Budgetary revenues and expenditures of the recreation and federal nutrition funds are classified to the general fund for GAAP reporting.
5. Unrecorded cash represents amounts received but not reported by the City on the operating statements (budget), but which is reported on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

| Net Change in Fund Balance | |
|---|---------------------------|
| GAAP Basis | (\$738,700) |
| Net Adjustment for Revenue Accruals | (3,213,199) |
| Ending Unrecorded Cash | (92,581) |
| Perspective Difference: | |
| Recreation | (46,456) |
| Federal Nutrition | (11,293) |
| Net Adjustment for Expenditure Accruals | 3,384,940 |
| Encumbrances | (457,125) |
| Budget Basis | <u><u>(1,174,414)</u></u> |

Note 4 - Fund Balances

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

| Fund Balances | General | Storm and Sewer | Street Improvement | Other | |
|----------------------------------|----------------|--------------------|--------------------|--------------------|--------------------|
| | | | | Governmental Funds | Total |
| <i>Nonspendable</i> | | | | | |
| Prepaid Items | \$292,389 | \$834 | \$0 | \$67,715 | \$360,938 |
| Materials and Supplies Inventory | 53,391 | 0 | 0 | 8,940 | 62,331 |
| Unclaimed Monies | 227,566 | 0 | 0 | 0 | 227,566 |
| <i>Total Nonspendable</i> | <i>573,346</i> | <i>834</i> | <i>0</i> | <i>76,655</i> | <i>650,835</i> |
| <i>Restricted for</i> | | | | | |
| Municipal Court | 0 | 0 | 0 | 196,149 | 196,149 |
| Public Safety | 0 | 0 | 0 | 468,700 | 468,700 |
| Street Maintenance | 0 | 0 | 0 | 984,189 | 984,189 |
| Debt Service Payments | 0 | 0 | 0 | 807,200 | 807,200 |
| Capital Improvements | 0 | 4,415,873 | 879,234 | 1,803,380 | 7,098,487 |
| <i>Total Restricted</i> | <i>\$0</i> | <i>\$4,415,873</i> | <i>\$879,234</i> | <i>\$4,259,618</i> | <i>\$9,554,725</i> |

(continued)

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

| Fund Balances (continued) | General | Sewer | Improvement | Funds | Total |
|-----------------------------------|---------------------------|---------------------------|-------------------------|---------------------------|----------------------------|
| <i>Assigned to</i> | | | | | |
| Recreation and Nutrition Programs | \$348,688 | \$0 | \$0 | \$0 | \$348,688 |
| Purchases on Order: | | | | | |
| Personal Services | 1,100 | 0 | 0 | 0 | 1,100 |
| Materials and Supplies | 10,921 | 0 | 0 | 0 | 10,921 |
| Contractual Services | 52,759 | 0 | 0 | 0 | 52,759 |
| Capital Outlay | 65,046 | 0 | 0 | 0 | 65,046 |
| Other | 1,800 | 0 | 0 | 0 | 1,800 |
| 2022 Appropriations | <u>2,794,985</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,794,985</u> |
| <i>Total Assigned</i> | <u>3,275,299</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,275,299</u> |
| <i>Unassigned (Deficit)</i> | <u>341,050</u> | <u>0</u> | <u>0</u> | <u>(240,195)</u> | <u>100,855</u> |
| <i>Total Fund Balances</i> | <u><u>\$4,189,695</u></u> | <u><u>\$4,416,707</u></u> | <u><u>\$879,234</u></u> | <u><u>\$4,096,078</u></u> | <u><u>\$13,581,714</u></u> |

Note 5 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of December 31, 2021:

Special Revenue Funds

| | |
|-----------------------------------|----------|
| Police Pension | \$65,775 |
| Fire Pension | 67,040 |
| Community Development | 62,373 |
| Garfield Heights Family Resources | 574 |

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Compliance

The following funds had original appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code:

| Fund | Excess |
|---|------------|
| Special Revenue Funds: | |
| Street Construction, Mainenance, and Repair | (\$48,109) |
| GH Family Resource | (14,580) |

The following fund had final appropriations in excess of estimated resources plus carryover balances in violation of section 5705.39, Ohio Revised:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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| Fund | Excess |
|--|---------------|
| General Fund | (\$4,441,406) |
| Special Revenue Funds: | |
| Police Pension | (168,784) |
| Fire Pension | (77,938) |
| Street Construction, Maintenance, and Repair | (712,784) |
| FEMA Fund | (4,500) |
| Community Development | (156,780) |
| Capital Improvement Funds: | |
| Storm and Sewer | (4,949,520) |

Management has indicated that appropriations will be closely monitored to prevent future violations.

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that Council 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 City 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 Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, \$2,248,314 of the City's total bank balance of \$5,080,714 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the City's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At December 31, 2021, the City had \$10,710,596 invested in STAR Ohio with an average maturity of 51.3 days.

City of Garfield Heights, Ohio
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Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

Note 7 - Contingencies

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are 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 effect on the overall financial position of the City at December 31, 2021.

Litigation

The City has recorded a liability as of December 31, 2021 as a result of a settlement by the City. ***John C. Berdysz et al. v. Boyas Excavating Inc. et al. (City of Garfield Heights, Ohio)*** In 2014, a class action complaint was filed against the City in connection with the construction of City View Center located within the City of Garfield Heights. The City View Center was constructed on or near a solid waste disposal facilities and/or a landfill. The complaint alleges that property owners in that area were damaged as a result of gas/leachate discharge and debris from the landfill. As of December 31, 2021, the City has accrued \$500,000 as a long-term settlement payable on the financial statements.

Note 8 – Receivables

Receivables at December 31, 2021 consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, accounts and intergovernmental.

No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant. All receivables except 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.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes. Property tax payments received during 2021 for tangible personal property (other than public utility property) are for 2021 taxes.

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

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

The full tax rate for all City operations for the year ended December 31, 2021, was \$28.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2021 property tax receipts were based as follows:

| | Assessed Valuation |
|--------------------------------------|-----------------------------|
| Real Estate | |
| Residential/Agriculture | \$242,254,250 |
| Commercial Industrial/Public Utility | 78,216,080 |
| Tangible Personal Property | |
| Public Utility | 16,813,910 |
| Total | <u><u>\$337,284,240</u></u> |

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Garfield Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2021 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources – property taxes. 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.

Income Taxes

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately three percent. The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the following funds: 81 percent to the general fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

Payments in Lieu of Taxes

According to State law, the City has established a tax incremental financing district within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owner has 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 owner's contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement 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

City of Garfield Heights, Ohio
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For the Year Ended December 31, 2021

spread the costs of the improvements to a larger number of property owners. A portion of the payments in lieu of taxes the City receives is due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority. The payable for this portion has been reported in the City's agency fund.

Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|--|---------------------------|
| Local Government | \$628,229 |
| Gas Tax | 618,676 |
| Homestead and Rollback | 592,768 |
| Motor Vehicle License | 104,738 |
| Permissive Tax | 84,860 |
| NOPEC Grant | 56,936 |
| City of Cleveland | 20,229 |
| Bureau of Workers' Compensation | 4,405 |
| Ohio Department of Public Safety | 3,623 |
| Cuyahoga County | 3,000 |
| Garfield Heights City School District | 2,497 |
| <i>Total Intergovernmental Receivables</i> | <u><u>\$2,119,961</u></u> |

Note 9 - Tax Abatements

As of December 31, 2021, the City of Garfield Heights provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions. The City of Garfield Heights approved a tax abatement policy in 1990 that provides a comprehensive and thorough tax abatement policy in order to ensure efficiency, fairness and uniformity in tax abatement determinations.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established three Community Reinvestment Areas in the years of 2002 and 2003, which included all lands with the boundaries of the City. The City authorizes incentives through passage of public ordinances, based upon each business's investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatements is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. The City also contracts with the Garfield Heights City School District for payments in lieu of taxes as required by City ordinance 107-1990.

The amount of abated tax dollars by the City for CRA's in 2021 was \$633,366.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Enterprise Zone Tax Exemptions (EZA)

Pursuant to Ohio Revised Code Chapter 5709, the City of Garfield Heights provides another tax incentive through Enterprise Zone Agreements. The City has established Enterprise Zone agreements, which includes all lands within the boundaries of the City. The City authorizes these incentives through passage of public ordinances based upon each business' investment criteria and job retention and/or creation. The abatement equals an agreed upon percentage of abated property value and the amount of the abatements is deducted from the recipient's property tax bill.

The amount of abated tax dollars by the City for EZA's in 2021 was \$157,507.

Note 10 – Interfund Balances and Transfers

Interfund Balances

At December 31, 2021, the general fund owed \$541,824 and other governmental funds owed \$30,687 to the self insurance fund for charges for services. These amounts are reported as interfund payables on the balance sheet and interfund receivables on the statement of net position – internal service fund.

Interfund Transfers

At December 31, 2021, interfund transfers were as follows:

| Transfer To | Transfer From | | | |
|--------------------------|--------------------|-----------------|-----------------|--------------------------|
| | General | | Storm and Sewer | Other Governmental Funds |
| | General | Storm and Sewer | | |
| General Fund | \$0 | \$0 | | \$5,956 |
| Street Improvement | 0 | 0 | | 250,000 |
| Other Governmental Funds | 1,778,416 | 73,918 | | 281,168 |
| Totals | \$1,778,416 | \$73,918 | | 2,133,502 |
| | | | | \$2,389,458 |

During 2021, the general fund transferred \$1,778,416 to various other governmental funds. The general fund transfers to the police and fire pension special revenue funds of \$824,857 and \$787,440, respectively, were made because the property tax received by those funds are not enough to meet the annual liability and payment to the police and fire pension systems. The police and fire pension special revenue funds were set up to correctly identify a small percentage of the property tax revenues that were earmarked inside millage for the payment of pension amounts for the City's police and fire safety officers. After these tax revenues are received from the County through the property tax distributions, any remaining balance needed to pay the pension payments is transferred to these funds from the general fund. The general fund transfer to the street lighting, community development, municipal court special projects and Garfield Heights family resource center special revenue funds of \$74,767, \$450, \$14,456 and \$21,810, respectively, were to provide additional resources for current operations. The general fund transferred \$54,636 to the municipal court capital improvements capital projects fund for capital purchases. The bond retirement debt service fund received transfers of \$281,168 from the motor vehicle license tax special revenue fund, as well as \$73,918 from the storm and sanitary sewer capital projects funds to support payments on long-term debt.

The bond retirement debt service fund transferred \$250,000 to the street improvement capital projects fund to support debt payments.

The FEMA special revenue fund transferred \$5,956 to the general fund to close out projects.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

| | Balance 12/31/20 | Additions | Deductions | Balance 12/31/21 |
|--|---------------------|--------------------|--------------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$2,910,941 | \$0 | \$0 | \$2,910,941 |
| Construction in Progress | 786,784 | 3,361,569 | (324,778) | 3,823,575 |
| <i>Total Capital Assets, Not Being Depreciated</i> | <i>3,697,725</i> | <i>3,361,569</i> | <i>(324,778)</i> | <i>6,734,516</i> |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings | 15,770,914 | 89,079 | 0 | 15,859,993 |
| Improvements Other than Buildings | 5,253,635 | 26,415 | 0 | 5,280,050 |
| Vehicles | 6,334,991 | 340,210 | (265,295) | 6,409,906 |
| Machinery and Equipment | 7,360,010 | 528,739 | (171,034) | 7,717,715 |
| Furniture and Fixtures | 967,435 | 0 | 0 | 967,435 |
| Infrastructure | | | | |
| Roads | 60,374,128 | 113,381 | 0 | 60,487,509 |
| Sidewalks and Trails | 150,000 | 0 | 0 | 150,000 |
| Sanitary Sewers | 5,476,716 | 0 | 0 | 5,476,716 |
| Storm Sewers | 4,317,209 | 174,290 | 0 | 4,491,499 |
| <i>Total Capital Assets, Being Depreciated</i> | <i>106,005,038</i> | <i>1,272,114</i> | <i>(436,329)</i> | <i>106,840,823</i> |
| <i>Less Accumulated Depreciation</i> | | | | |
| Buildings | (9,046,334) | (338,959) | 0 | (9,385,293) |
| Improvements Other than Buildings | (3,518,451) | (146,540) | 0 | (3,664,991) |
| Vehicles | (4,420,766) | (278,245) | 226,183 | (4,472,828) |
| Machinery and Equipment | (5,438,153) | (381,974) | 171,034 | (5,649,093) |
| Furniture and Fixtures | (766,804) | (41,579) | 0 | (808,383) |
| Infrastructure | | | | |
| Roads | (29,926,146) | (2,439,640) | 0 | (32,365,786) |
| Sidewalks and Trails | (56,250) | (7,500) | 0 | (63,750) |
| Sanitary Sewers | (1,972,045) | (109,535) | 0 | (2,081,580) |
| Storm Sewers | (984,127) | (89,830) | 0 | (1,073,957) |
| <i>Total Accumulated Depreciation</i> | <i>(56,129,076)</i> | <i>(3,833,802)</i> | <i>397,217</i> | <i>(59,565,661)</i> |
| <i>Total Capital Assets being Depreciated, Net</i> | <i>49,875,962</i> | <i>(2,561,688)</i> | <i>(39,112)</i> | <i>47,275,162</i> |
| <i>Capital Assets, Net</i> | <i>\$53,573,687</i> | <i>\$799,881</i> | <i>(\$363,890)</i> | <i>\$54,009,678</i> |

Depreciation expense was charged to governmental functions as follows.

| | |
|-----------------------------------|---------------------------|
| General Government | \$499,823 |
| Security of Persons and Property | 469,084 |
| Public Health Services | 31,290 |
| Transportation | 2,537,617 |
| Basic Utility Services | 115,782 |
| Leisure Time Activities | 180,206 |
| Total Depreciation Expense | <u>\$3,833,802</u> |

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 12 – Compensated Absences

Employees earn vacation leave at different rates which are affected by the employee's length of service. Once vacation leave is earned it cannot be taken away from the employee. Within the labor contracts and/or agreements for the Police, Firemen, Dispatchers and Jailers, Service Department employees and administrative employees of the City there is language allowing the carry-over of vacation credits into future periods, through the written approval of either the department chief, director or the Mayor. Although the labor contracts allow for this carryover under certain circumstances, the labor union employees are required to use their vacation leave in the year that they earn it. The other limit placed upon any of these classes of employees is the limit in the fire contract that the City will only pay out at retirement a maximum of 6 weeks of vacation credits. In an effort to avoid many vacation accruals the City has agreed in negotiations to the right of the employee to be paid for unused vacation leave during the month of December. At retirement or separation from City employment the employee would be entitled to payment at the current rate of pay for any earned but unused vacation credits they may have.

Overtime is paid for in the period in which it is worked, except for the Police and Fire Department and members of American Federation of State, County and Municipal Employees (AFSCME), who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accumulated without limit. Upon retirement, death, or leaving City service, employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave, without any service requirement.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2021, the City contracted with Ohio Plan Risk Management Inc. for various types of insurance as follows:

| Type | Coverage | Per Occurrence |
|---------------------------------|--------------|----------------|
| Property | \$36,226,549 | |
| Inland Marine | 2,375,123 | |
| Comprehensive General Liability | 6,000,000 | \$8,000,000 |
| Police Professional Liability | 6,000,000 | 8,000,000 |
| Employment Practices | 6,000,000 | 8,000,000 |
| Vehicle Liability | 6,000,000 | |
| Public Officials Liability | 6,000,000 | 8,000,000 |
| Crime Coverage | 535,000 | 535,000 |
| Cyber Security Coverage | 1,000,000 | 1,000,000 |

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

For 2021, the City participated in the Jefferson Health Plan, an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 18 for additional information.

City of Garfield Heights, Ohio
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The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$200 per person and \$400 per family, with maximum out of pocket expenses, not including the deductibles, of \$0 per individual or family coverage for network, and \$800 and \$1,200 per individual and family, respectively, for out of network. The City's third party administrator Self-funded Plans, Inc. reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$100,000 per employee. The benefit is paid by the fund that pays the salary for the employee and is based on number of covered employees in the respective fund.

A health benefit claims liability of \$579,084 has been accrued in the general fund, street maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and storm and sewer, municipal court improvement capital projects, and self insurance funds based on an estimate by the third party administrator. The liability reported at December 31, 2021 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

In prior years, the City participated in the State Workers' Compensation retrospective rating and payment system. Beginning in 2020, the City no longer participated in the retrospective rating and payment system. The maintenance of outstanding claims benefits is accounted for in the general fund. Outstanding claims of \$1,153 have been accrued as a liability at December 31, 2021 based on an estimate provided by Minute Men HR, the City's third party administrator.

The outstanding claims liability of \$1,153 reported at December 31, 2021, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in the health benefit claims liability and workers' compensation claims liability amount in 2020 and 2021 were:

| | Balance Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|------------------------------|------------------------|-------------------|---------------------------|
| 2020 | \$268,449 | \$3,133,450 | \$2,823,932 | \$577,967 |
| 2021 | 577,967 | 3,875,322 | 3,873,052 | 580,237 |

Note 14 – Short-Term Obligations

The City's short-term note activity is as follows:

| | Balance 12/31/20 | Additions | Reductions | Balance 12/31/21 |
|---|---------------------|------------------|--------------------|---------------------|
| 2021 Street Improvement Bond Anticipation Notes | \$0 | \$200,000 | \$0 | \$200,000 |
| Unamortized Premium | 0 | 1,880 | (940) | 940 |
| 2020 Street Improvement Bond Anticipation Notes | 200,000 | 0 | (200,000) | 0 |
| Unamortized Premium | 1,065 | 0 | (1,065) | 0 |
| Total Short-Term Obligations | \$201,065 | \$201,880 | (\$202,005) | \$200,940 |

City of Garfield Heights, Ohio
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On June 16, 2021, the City issued \$200,000 in street improvement bond anticipation notes for street improvement capital projects. These notes were issued at a premium of \$1,880. The note was issued at a 1.375 percent interest rate and matures on June 16, 2022. The notes are backed by the full faith and credit of the City of Garfield Heights and mature within one year.

During 2020, the City issued \$200,000 in street improvement bond anticipation notes for street improvement capital projects. These notes were issued at a premium of \$2,130. The notes were issued at a 1.5 percent interest rate and matured on June 17, 2021.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it is advantageous to issue bonds. The \$200,940 liability above represents the portion of these notes which will be paid down in 2022. The remaining balance of these notes is reported as a long-term liability (See Note 15).

Note 15 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2021 were as follows:

| | Outstanding 12/31/2020 | Additions | Reductions | Outstanding 12/31/2021 | Amounts Due in One Year |
|--|---------------------------|------------|----------------------|---------------------------|----------------------------|
| Governmental Activities | | | | | |
| <i>General Obligation Bonds</i> | | | | | |
| 2004 4.75% \$9,900,000 | | | | | |
| Various Improvements | \$3,010,000 | \$0 | (\$698,000) | \$2,312,000 | \$733,000 |
| 2012 3.00% \$5,775,000 | | | | | |
| Various Purpose Improvement Refunding Bonds | | | | | |
| Serial Bonds | 820,000 | 0 | (405,000) | 415,000 | 415,000 |
| Term Bonds | 2,350,000 | 0 | 0 | 2,350,000 | 0 |
| Unamortized Discount | (9,801) | 0 | 1,417 | (8,384) | 0 |
| 2016 1.89% \$1,405,600 | | | | | |
| Various Purpose Refunding Bonds | 494,200 | 0 | (244,600) | 249,600 | 249,600 |
| 2020 1.34% \$3,455,000 | | | | | |
| Various Purpose Refunding Bonds | 3,455,000 | 0 | (120,000) | 3,335,000 | 505,000 |
| <i>Total General Obligation Bonds</i> | <u>\$10,119,399</u> | <u>\$0</u> | <u>(\$1,466,183)</u> | <u>\$8,653,216</u> | <u>\$1,902,600</u> |

(continued)

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For the Year Ended December 31, 2021

| | Outstanding 12/31/2020 | Additions | Reductions | Outstanding 12/31/2021 | Amounts Due in One Year |
|--|---------------------------|--------------------|-----------------------|---------------------------|----------------------------|
| Governmental Activities (continued) | | | | | |
| Long-term Notes Payable | | | | | |
| 2021 1.375% \$2,626,440 | | | | | |
| Street Improvement | \$0 | \$2,600,000 | \$0 | \$2,600,000 | \$0 |
| Premium on Street Improvement | 0 | 24,440 | (12,220) | 12,220 | 0 |
| 2020 1.50% \$2,800,000 | | | | | |
| Street Improvement | | | | | |
| Bond Anticipation Notes | 2,800,000 | 0 | (2,800,000) | 0 | 0 |
| Premium on Street Improvement | 14,910 | 0 | (14,910) | 0 | 0 |
| <i>Total Long-Term Notes Payable</i> | <i>2,814,910</i> | <i>2,624,440</i> | <i>(2,827,130)</i> | <i>2,612,220</i> | <i>0</i> |
| Other Long-Term Liabilities | | | | | |
| Net Pension Liability | | | | | |
| OPERS | 7,943,629 | 0 | (2,437,487) | 5,506,142 | 0 |
| OP&F | 21,527,053 | 0 | (577,740) | 20,949,313 | 0 |
| <i>Total Net Pension Liability</i> | <i>29,470,682</i> | <i>0</i> | <i>(3,015,227)</i> | <i>26,455,455</i> | <i>0</i> |
| Net OPEB Liability | | | | | |
| OPERS | 5,409,703 | 0 | (5,409,703) | 0 | 0 |
| OP&F | 3,156,496 | 99,460 | 0 | 3,255,956 | 0 |
| <i>Total Net OPEB Liability</i> | <i>8,566,199</i> | <i>99,460</i> | <i>(5,409,703)</i> | <i>3,255,956</i> | <i>0</i> |
| Compensated Absences Payable | 4,035,031 | 258,507 | (209,255) | 4,084,283 | 378,668 |
| Worker's Compensation Claims Payable | 34,911 | 1,153 | (34,911) | 1,153 | 1,153 |
| Police and Fire Pension Liability | 429,712 | 0 | (22,063) | 407,649 | 23,011 |
| Settlement Payable | 0 | 500,000 | 0 | 500,000 | 166,667 |
| Asset Retirement Obligation | 125,000 | 0 | 0 | 125,000 | 0 |
| Capital Leases Payable | 820,490 | 0 | (199,477) | 621,013 | 135,669 |
| <i>Total Other Long-Term Liabilities</i> | <i>43,482,025</i> | <i>859,120</i> | <i>(8,890,636)</i> | <i>35,450,509</i> | <i>705,168</i> |
| <i>Total Governmental Activities</i> | <i>\$56,416,334</i> | <i>\$3,483,560</i> | <i>(\$13,183,949)</i> | <i>\$46,715,945</i> | <i>\$2,607,768</i> |

General obligation bonds will be paid from the general bond retirement debt service fund. Compensated absences and claims will be paid from the general fund, street, construction, maintenance and repair, state highway and municipal court special projects special revenue funds and the storm and sewer and municipal court improvement capital projects funds. The police and fire pension liability will be paid from taxes received in the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters. The settlement payable will be paid from the general fund. The asset retirement obligation will be paid from the general fund. The capital leases will be paid from the general fund, street, construction, maintenance and repair special revenue fund and the permanent improvement capital projects fund. The long-term note will be paid from the street improvement capital projects fund. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension contributions are made from the following funds: the general fund, the police pension, fire pension, street construction, maintenance and repair, state highway, storm and sewer, coronavirus relief, municipal court special projects, municipal court capital improvement and Garfield Heights family resource center. For additional information related to the net pension/OPEB liabilities see Notes 19 and 20.

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In 2004, the City issued \$9,900,000 in general obligation bonds for the purpose of improvements. The general obligation bonds consist of serial bonds that were issued at a rate of 4.75 percent for a twenty year period with a final maturity in 2024.

On October 30, 2012, the City issued \$5,775,000 in general obligation bonds for the purpose of refunding general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of \$3,425,000 and \$2,350,000, respectively. The bonds were issued for a fifteen year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

| Year | Issue |
|---------------------------------------|---------------------------|
| 2023 | <u>\$2,350,000</u> |
| 2024 | \$430,000 |
| 2025 | 450,000 |
| 2026 | 470,000 |
| 2027 | 490,000 |
| Total mandatory sinking fund payments | <u>1,840,000</u> |
| Amount due at stated maturity | <u>510,000</u> |
| Total | <u><u>\$2,350,000</u></u> |
| <i>Stated Maturity</i> | <i>12/1/2027</i> |

During 2016, the City issued \$1,405,600 in general obligation serial bonds for the purpose of refunding the 2006 street improvement general obligation issues in order to take advantage of lower interest rates. The bonds were issued for a six year period with a final maturity in 2022. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2021, \$249,000 of the defeased bonds are still outstanding.

In 2020, the City issued general obligation various improvement refunding bonds in the amount of \$3,455,000, to refund general obligation various purpose bonds previously issued in 2010. The bonds were issued with a fixed interest rate of 1.34 percent. The bonds were issued for a 9 year period with a final maturity in 2028. The bonds will be retired through the general bond retirement debt service fund. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. The outstanding balance of the refunded bonds were called and fully repaid.

During 2020, the City issued \$2,800,000 special obligation income tax street improvement notes for street improvement capital projects. These notes were issued at a premium of \$29,820. The notes were issued at a 1.5 percent interest rate and matured on June 17, 2021.

On June 16, 2021, the City issued \$2,600,000 in new street improvement income tax bond anticipation notes. The new notes have a maturity date of June 16, 2022, and an interest rate of 1.375 percent.

The City's overall legal debt margin was \$24,907,609 at December 31, 2021. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021 are as follows:

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| | General Obligation Bonds | | Police and Fire Pension | |
|-----------|-----------------------------|------------------|----------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$1,902,600 | \$254,306 | \$23,011 | \$17,084 |
| 2023 | 1,710,000 | 193,636 | 24,000 | 16,095 |
| 2024 | 1,774,000 | 131,202 | 25,030 | 15,064 |
| 2025 | 995,000 | 86,137 | 26,106 | 13,988 |
| 2026 | 910,000 | 59,302 | 27,226 | 12,868 |
| 2027-2031 | 1,370,000 | 38,853 | 154,711 | 45,761 |
| 2032-2035 | 0 | 0 | 127,565 | 10,959 |
| Totals | <u>\$8,661,600</u> | <u>\$763,436</u> | <u>\$407,649</u> | <u>\$131,819</u> |

Note 16 - Capital Leases

In prior years, the City entered into lease agreements for a fire truck, front end loader, police vehicles, ambulance, salt truck and carrier chiller. The leases meet the criteria of a capital lease. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds. These leases are secured by the related property.

Capital assets acquired by lease currently being paid have been capitalized and depreciated as follows as of December 31, 2021:

| | Amounts |
|-------------------------------|---------------------------|
| Vehicles | \$968,056 |
| Machinery and Equipment | 302,000 |
| Less Accumulated Depreciation | <u>(197,659)</u> |
| Current Book Value | <u><u>\$1,072,397</u></u> |

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 December 31, 2021.

| | Governmental Activities |
|---|----------------------------|
| 2022 | \$181,508 |
| 2023 | 116,636 |
| 2024 | 89,635 |
| 2025 | 50,984 |
| 2026 | 50,984 |
| 2027-2030 | <u>203,936</u> |
| Total Minimum Lease Payments | <u>693,683</u> |
| Less: Amount representing interest | <u>(72,670)</u> |
| Present Value of Minimum Lease Payments | <u><u>\$621,013</u></u> |

Note 17 - Jointly Governed Organizations

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

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program for the purchase of electricity. NOPEC is currently comprised of 240 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2021. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31360 Solon Road, Suite 33, Solon, Ohio or at the website www.nopecinfo.org.

First Suburbs Consortium of Northeast Ohio Council of Governments The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 20 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, welfare, education, economic conditions and regional development.

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2021, the City contributed \$3,000 to the First Suburbs Consortium. The First Suburbs also has a development section of the Council of Governments. During 2021, the City contributed \$1,750 to the First Suburbs Development Council. Financial information for both programs can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 165 Center Road, Bedford, Ohio 44146.

First Suburbs Development Council The City is a member of the First Suburbs Development Council which was formed as a result of a task force comprised of economic development officials of the member communities and representatives from the Cuyahoga County Department of Development and planning commission to design a program to address development issues and augment each of the member communities' re-development efforts. The committee engaged to develop a framework for the program, solicited input from development practitioners, regional economic development agencies and foundations. The First Suburbs Development council is a 501(c) (3) organization Incorporated by the State of Ohio.

The mission of the FSDC is "to initiate and encourage collective economic and community development growth within the first0ring suburbs of Cleveland." The FSDC accomplishes this by providing resources to member communities to strengthen their capacity to advance development and re-development projects.

The First Suburbs Development Council works in conjunction with the First Suburbs Consortium of Northeast Ohio Council of Governments. The Development Council is currently compromised of 15 communities. During 2021, the City contributed \$1,750 to the First Suburbs Development Council. Financial information can be obtained by contacting First Suburbs Development Council, 165 Center Road Bedford, OH 44146.

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the

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council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the City paid RITA \$369,958 for income tax collection services.

Note 18 – Insurance Purchasing Pool

The City participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Note 19 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset) /Net OPEB Liability (Asset)

The net pension liability (asset) and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 20 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

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| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2021 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| 2021 Actual Contribution Rates | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-employment Health Care Benefits ** | <u>0.0</u> |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2021, the City's contractually required contribution was \$799,997 for the traditional plan, \$19,417 for the combined plan and \$9,978 for the member-directed plan. Of these amounts, \$73,766 is reported as an intergovernmental payable for the traditional plan, \$1,600 for the combined plan, and \$1,080 for the member-directed plan.

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

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

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

City of Garfield Heights, Ohio
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For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

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

City of Garfield Heights, Ohio
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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,723,342 for 2021. Of this amount, \$143,486 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2021, the specific liability of the City was \$407,649 payable in semi-annual payments through the year 2035.

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

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

| | OPERS | OPERS | | |
|--|-------------------------|----------------------|---------------------|--------------|
| | <u>Traditional Plan</u> | <u>Combined Plan</u> | <u>OP&F</u> | <u>Total</u> |
| Proportion of the Net Pension Liability/Asset: | | | | |
| Current Measurement Date | 0.03718400% | 0.02973000% | 0.30730580% | |
| Prior Measurement Date | <u>0.04018900%</u> | <u>0.03014100%</u> | <u>0.31955680%</u> | |
| Change in Proportionate Share | <u>-0.00300500%</u> | <u>-0.00041100%</u> | <u>-0.01225100%</u> | |
| Proportionate Share of the: | | | | |
| Net Pension Liability | \$5,506,142 | \$0 | \$20,949,313 | \$26,455,455 |
| Net Pension Asset | 0 | (85,820) | 0 | (85,820) |
| Pension Expense | (41,606) | 2,355 | 1,049,258 | 1,010,007 |

2021 pension expense for the member-directed defined contribution plan was \$9,978. The aggregate pension expense for all pension plans was \$1,019,985 for 2021.

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

City of Garfield Heights, Ohio
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For the Year Ended December 31, 2021

| | OPERS Traditional Plan | OPERS Combined Plan | OP&F | Total |
|---|---------------------------|------------------------|---------------------------|---------------------------|
| Deferred Outflows of Resources | | | | |
| Differences between expected and actual experience | \$0 | \$0 | \$875,753 | \$875,753 |
| Changes of assumptions | 0 | 5,359 | 351,330 | 356,689 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0 | 3,447 | 210,832 | 214,279 |
| City contributions subsequent to the measurement date | <u>799,997</u> | <u>19,417</u> | <u>1,723,342</u> | <u>2,542,756</u> |
| Total Deferred Outflows of Resources | <u><u>\$799,997</u></u> | <u><u>\$28,223</u></u> | <u><u>\$3,161,257</u></u> | <u><u>\$3,989,477</u></u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$230,326 | \$16,190 | \$816,122 | \$1,062,638 |
| Net difference between projected and actual earnings on pension plan investments | 2,146,133 | 12,763 | 1,016,180 | 3,175,076 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>416,027</u> | <u>300</u> | <u>1,083,955</u> | <u>1,500,282</u> |
| Total Deferred Inflows of Resources | <u><u>\$2,792,486</u></u> | <u><u>\$29,253</u></u> | <u><u>\$2,916,257</u></u> | <u><u>\$5,737,996</u></u> |

\$2,542,756 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS Traditional Plan | OPERS Combined Plan | OP&F | Total |
|--------------------------|------------------------------|---------------------------|-----------------------------|-----------------------------|
| 2022 | (\$1,182,691) | (\$5,697) | (\$420,558) | (\$1,608,946) |
| 2023 | (442,258) | (3,455) | 233,336 | (212,377) |
| 2024 | (874,837) | (6,400) | (1,018,365) | (1,899,602) |
| 2025 | (292,700) | (2,738) | (231,804) | (527,242) |
| 2026 | 0 | (919) | (40,951) | (41,870) |
| Thereafter | <u>0</u> | <u>(1,238)</u> | <u>0</u> | <u>(1,238)</u> |
| Total | <u><u>(\$2,792,486)</u></u> | <u><u>(\$20,447)</u></u> | <u><u>(\$1,478,342)</u></u> | <u><u>(\$4,291,275)</u></u> |

Actuarial Assumptions - OPERS

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

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Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

| | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> |
|---|---|---|
| Wage Inflation | 3.25 percent | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | .5 percent, simple through 2021, then 2.15 percent, simple | .5 percent, simple through 2021, then 2.15 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

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

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

| City's proportionate share of the net pension liability (asset) | Current | | |
|--|------------------------|--------------------------|------------------------|
| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
| OPERS Traditional Plan | \$10,502,993 | \$5,506,142 | \$1,351,267 |
| OPERS Combined Plan | (59,757) | (85,820) | (105,244) |

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married

City of Garfield Heights, Ohio
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and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented below.

| | |
|----------------------------|--|
| Valuation Date | January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

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

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77 % | 68 % |
| 68-77 | 105 | 87 |
| 78 and up | 115 | 120 |

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

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

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

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

City of Garfield Heights, Ohio
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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | |
|---------------------------------|---------------------|--|---|
| Cash and Cash Equivalents | - % | 0.00 | % |
| Domestic Equity | 21.00 | 4.10 | |
| Non-US Equity | 14.00 | 4.80 | |
| Private Markets | 8.00 | 6.40 | |
| Core Fixed Income * | 23.00 | 0.90 | |
| High Yield Fixed Income | 7.00 | 3.00 | |
| Private Credit | 5.00 | 4.50 | |
| U.S. Inflation Linked Bonds* | 17.00 | 0.70 | |
| Midstream Energy Infrastructure | 5.00 | 5.60 | |
| Real Assets | 8.00 | 5.80 | |
| Gold | 5.00 | 1.90 | |
| Private Real Estate | <u>12.00</u> | 5.30 | |
| Total | <u>125.00</u> % | | |

Note: Assumptions are geometric.

* levered 2.5x

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

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

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

| | Current | | |
|--|------------------------|--------------------------|------------------------|
| | 1% Decrease (7.00%) | Discount Rate (8.00%) | 1% Increase (9.00%) |
| City's proportionate share of the net pension liability | \$29,164,126 | \$20,949,313 | \$14,074,343 |

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Note 20 - Postemployment Benefits

See Note 19 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage

City of Garfield Heights, Ohio
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provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,851 for 2021. Of this amount, \$309 is reported as an intergovernmental payable.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their

City of Garfield Heights, Ohio
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dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$41,078 for 2021. Of this amount, \$3,410 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

| | OPERS | OP&F | |
|---------------------------------------|---------------------|---------------------|---------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.03623600% | 0.30730580% | |
| Prior Measurement Date | <u>0.03916500%</u> | <u>0.31955680%</u> | |
| Change in Proportionate Share | <u>-0.00292900%</u> | <u>-0.01225100%</u> | <u>Total</u> |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$0 | \$3,255,956 | \$3,255,956 |
| Net OPEB Asset | (\$645,573) | \$0 | (\$645,573) |
| OPEB Expense | (\$3,957,991) | \$242,900 | (\$3,715,091) |

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

| | OPERS | OP&F | Total |
|---|--------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Changes of assumptions | \$317,371 | \$1,798,738 | \$2,116,109 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 2,978 | 24,734 | 27,712 |
| City contributions subsequent to the measurement date | <u>2,851</u> | <u>41,078</u> | <u>43,929</u> |
| Total Deferred Outflows of Resources | <u>\$323,200</u> | <u>\$1,864,550</u> | <u>\$2,187,750</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$582,626 | \$537,058 | \$1,119,684 |
| Changes of assumptions | 1,046,022 | 519,060 | 1,565,082 |
| Net difference between projected and actual earnings on OPEB plan investments | 343,841 | 120,997 | 464,838 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>247,003</u> | <u>257,257</u> | <u>504,260</u> |
| Total Deferred Inflows of Resources | <u>\$2,219,492</u> | <u>\$1,434,372</u> | <u>\$3,653,864</u> |

\$43,929 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-----------------------------|-------------------------|-----------------------------|
| 2022 | (\$1,012,278) | \$75,357 | (\$936,921) |
| 2023 | (696,931) | 104,010 | (592,921) |
| 2024 | (149,419) | 58,838 | (90,581) |
| 2025 | (40,515) | 75,833 | 35,318 |
| 2026 | 0 | 43,453 | 43,453 |
| Thereafter | <u>0</u> | <u>31,609</u> | <u>31,609</u> |
| Total | <u>(\$1,899,143)</u> | <u>\$389,100</u> | <u>(\$1,510,043)</u> |

Actuarial Assumptions - OPERS

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

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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability would

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB asset | (\$160,525) | (\$645,573) | (\$1,044,322) |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Assumption | 1% Increase |
|---|-------------|-------------|-------------|
| City's proportionate share of the net OPEB asset | (\$661,307) | (\$645,573) | (\$627,970) |

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

| | |
|----------------------------|---|
| Valuation Date | January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent |
| Blended discount rate: | |
| Current measurement date | 2.96 percent |
| Prior measurement date | 3.56 percent |
| Cost of Living Adjustments | 2.2 percent simple |

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

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77 % | 68 % |
| 68-77 | 105 | 87 |
| 78 and up | 115 | 120 |

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

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

| | 1% Decrease (1.96%) | Current Discount Rate (2.96%) | 1% Increase (3.96%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$4,059,990 | \$3,255,956 | \$2,592,721 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 21 – Significant Commitments

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 year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

| <i>Governmental Funds:</i> | |
|----------------------------|--------------------|
| General | \$457,125 |
| Storm and Sewer | 349,318 |
| Street Improvement | 28,446 |
| Other Governmental Funds | 434,310 |
| Total | \$1,269,199 |

Contractual Commitments

At December 31, 2021, the City's significant commitments consisted of retainage payable of \$187,193 to various construction companies related to the Granger Road storm sewer project, midwest neighborhood and multi-street paving. The amounts of \$6,640 and \$187,193 in contracts and retainage payable for governmental activities, respectively, have been capitalized.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 22 – Asset Retirement Obligations

The Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$125,000 associated with the City’s underground storage tanks was estimated by the City. The UST is fully depreciated. The City maintains insurance related to any potential pollution remediation associated with the USTs.

Note 23 – Subsequent Event

On June 12, 2024, the City issued \$4,900,000 in street improvement bond anticipation notes which were used to retire \$2,900,000 in 2023 street improvement bond anticipation notes, \$1,250,000 to be used for improving streets and roads and \$750,000 to be used for costs of constructing and reconstructing streets, sidewalks, water lines and related water supply facilities, sanitary sewers and related sanitary facilities, storm sewers, and catch basins and related drainage facilities. The notes were sold at an interest rate of 4.625 percent and mature on June 11, 2025.

Note 24 – COVID-19

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

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Eight Years (1)

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|--------------|-------------|
| City's Proportion of the Net Pension Liability | 0.03718400% | 0.04018900% | 0.04023700% | 0.03769500% |
| City's Proportionate Share of the Net Pension Liability | \$5,506,142 | \$7,943,629 | \$11,020,099 | \$5,913,615 |
| City's Covered Payroll | \$5,079,491 | \$5,443,404 | \$5,434,729 | \$4,981,392 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 108.40% | 145.93% | 202.77% | 118.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.88% | 82.17% | 74.70% | 84.66% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
 An additional column will be added each year

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

See accompanying notes to the required supplementary information.

| 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|
| 0.03655800% | 0.03992300% | 0.04237200% | 0.04237200% |
| \$8,299,768 | \$6,915,167 | \$5,110,537 | \$4,995,107 |
| \$4,725,875 | \$4,968,771 | \$5,194,867 | \$5,248,508 |
| 175.62% | 139.17% | 98.38% | 95.17% |
| 77.25% | 81.08% | 86.45% | 86.36% |

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Four Years (1)

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Asset | 0.02973000% | 0.03014100% | 0.03307100% | 0.03355400% |
| City's Proportionate Share of the Net Pension Asset | \$85,820 | \$62,850 | \$36,981 | \$45,678 |
| City's Covered Payroll | \$130,767 | \$133,924 | \$141,443 | \$137,423 |
| City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | -65.63% | -46.93% | -26.15% | -33.24% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 157.67% | 145.28% | 126.64% | 137.28% |

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability (Asset)
Ohio Public Employees Retirement System - OPEB Plan
Last Five Years (1)

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.03623600% | 0.03916500% | 0.03915000% | 0.03685000% | 0.02931000% |
| City's Proportionate Share of the Net OPEB Liability (Asset) | (\$645,573) | \$5,409,703 | \$5,104,238 | \$4,001,639 | \$2,960,410 |
| City's Covered Payroll | \$5,290,208 | \$5,705,228 | \$5,678,597 | \$5,219,090 | \$4,797,500 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | -12.20% | 94.82% | 89.89% | 76.67% | 61.71% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 115.57% | 47.80% | 46.33% | 54.14% | 54.04% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
Last Eight Years (1)

| | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.30730580% | 0.31955680% | 0.31463800% | 0.32035300% |
| City's Proportionate Share of the Net Pension Liability | \$20,949,313 | \$21,527,053 | \$25,682,775 | \$19,661,511 |
| City's Covered Payroll | \$6,739,279 | \$7,080,590 | \$7,181,807 | \$7,027,815 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 310.85% | 304.03% | 357.61% | 279.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.65% | 69.89% | 63.07% | 70.91% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
 An additional column will be added each year

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

See accompanying notes to the required supplementary information.

| 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|
| 0.32003800% | 0.34297300% | 0.35324640% | 0.35324640% |
| \$20,270,887 | \$22,063,695 | \$18,299,637 | \$17,204,208 |
| \$6,844,666 | \$7,112,702 | \$7,023,557 | \$7,305,117 |
| 296.16% | 310.20% | 260.55% | 235.51% |
| 68.36% | 66.77% | 71.71% | 73.00% |

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Five Years (1)

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|--------------|--------------|
| City's Proportion of the Net OPEB Liability | 0.30730580% | 0.31955680% | 0.31463800% | 0.32035300% | 0.32003800% |
| City's Proportionate Share of the Net OPEB Liability | \$3,255,956 | \$3,156,496 | \$2,865,262 | \$18,150,751 | \$15,191,484 |
| City's Covered Payroll | \$6,739,279 | \$7,080,590 | \$7,181,807 | \$7,027,815 | \$6,844,666 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 48.31% | 44.58% | 39.90% | 258.27% | 221.95% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 45.40% | 47.08% | 46.57% | 14.13% | 15.96% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

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City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Nine Years (1) (2)

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|
| Net Pension Liability - Traditional Plan | | | | |
| Contractually Required Contribution | \$799,997 | \$733,206 | \$791,744 | \$760,862 |
| Contributions in Relation to the Contractually Required Contribution | <u>(799,997)</u> | <u>(733,206)</u> | <u>(791,744)</u> | <u>(760,862)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| City Covered Payroll | \$5,627,258 | \$5,079,491 | \$5,443,404 | \$5,434,729 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net Pension Liability - Combined Plan (4) | | | | |
| Contractually Required Contribution | \$19,417 | \$18,343 | \$18,785 | \$19,802 |
| Contributions in Relation to the Contractually Required Contribution | <u>(19,417)</u> | <u>(18,343)</u> | <u>(18,785)</u> | <u>(19,802)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| City Covered Payroll | \$138,615 | \$130,767 | \$133,924 | \$141,443 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net OPEB Liability - OPEB Plan (2) | | | | |
| Contractually Required Contribution | \$2,851 | \$3,198 | \$5,116 | \$4,097 |
| Contributions in Relation to the Contractually Required Contribution | <u>(2,851)</u> | <u>(3,198)</u> | <u>(5,116)</u> | <u>(4,097)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| City Covered Payroll (3) | \$5,837,148 | \$5,290,208 | \$5,705,228 | \$5,678,597 |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.05%</u> | <u>0.06%</u> | <u>0.09%</u> | <u>0.07%</u> |

- (1) Information prior to 2013 is not available.
- (2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.
- (4) Information prior to 2015 is not available.

See accompanying notes to the required supplementary information.

| 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------|---------------|---------------|---------------|---------------|
| \$647,581 | \$567,105 | \$596,253 | \$523,384 | \$682,306 |
| (647,581) | (567,105) | (596,253) | (523,384) | (682,306) |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$4,981,392 | \$4,725,875 | \$4,968,771 | \$5,194,867 | \$5,248,508 |
| <u>13.00%</u> | <u>12.00%</u> | <u>12.00%</u> | <u>10.08%</u> | <u>13.00%</u> |
| \$17,865 | \$13,048 | \$9,296 | | |
| (17,865) | (13,048) | (9,296) | | |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | | |
| \$137,423 | \$108,733 | \$77,467 | | |
| <u>13.00%</u> | <u>12.00%</u> | <u>12.00%</u> | | |
| \$55,199 | \$97,383 | | | |
| (55,199) | (97,383) | | | |
| <u>\$0</u> | <u>\$0</u> | | | |
| \$5,219,090 | \$4,797,500 | | | |
| <u>1.06%</u> | <u>2.03%</u> | | | |

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

| | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$1,723,342 | \$1,415,969 | \$1,485,178 | \$1,505,609 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,723,342)</u> | <u>(1,415,969)</u> | <u>(1,485,178)</u> | <u>(1,505,609)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| City Covered Payroll (1) | \$8,215,730 | \$6,739,279 | \$7,080,590 | \$7,181,807 |
| Pension Contributions as a Percentage of Covered Payroll | <u>20.98%</u> | <u>21.01%</u> | <u>20.98%</u> | <u>20.96%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution | \$41,078 | \$33,696 | \$35,403 | \$35,909 |
| Contributions in Relation to the Contractually Required Contribution | <u>(41,078)</u> | <u>(33,696)</u> | <u>(35,403)</u> | <u>(35,909)</u> |
| Contribution Deficiency (Excess) | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> |
| Total Contributions as a Percentage of Covered Payroll | <u><u>21.48%</u></u> | <u><u>21.51%</u></u> | <u><u>21.48%</u></u> | <u><u>21.46%</u></u> |

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$1,479,310 | \$1,439,987 | \$1,498,031 | \$1,478,313 | \$1,307,650 | \$1,047,948 |
| <u>(1,479,310)</u> | <u>(1,439,987)</u> | <u>(1,498,031)</u> | <u>(1,478,313)</u> | <u>(1,307,650)</u> | <u>(1,047,948)</u> |
| <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| \$7,027,815 | \$6,844,666 | \$7,112,702 | \$7,023,557 | \$7,305,117 | \$7,119,971 |
| <u><u>21.05%</u></u> | <u><u>21.04%</u></u> | <u><u>21.06%</u></u> | <u><u>21.05%</u></u> | <u><u>17.90%</u></u> | <u><u>14.72%</u></u> |
| \$35,139 | \$34,223 | \$35,564 | \$35,118 | \$47,293 | \$70,736 |
| <u><u>(35,139)</u></u> | <u><u>(34,223)</u></u> | <u><u>(35,564)</u></u> | <u><u>(35,118)</u></u> | <u><u>(47,293)</u></u> | <u><u>(70,736)</u></u> |
| <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| <u><u>0.50%</u></u> | <u><u>0.50%</u></u> | <u><u>0.50%</u></u> | <u><u>0.50%</u></u> | <u><u>0.65%</u></u> | <u><u>0.99%</u></u> |
| <u><u>21.55%</u></u> | <u><u>21.54%</u></u> | <u><u>21.56%</u></u> | <u><u>21.55%</u></u> | <u><u>18.55%</u></u> | <u><u>15.71%</u></u> |

City of Garfield Heights, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

| | 2019 | 2018 and 2017 | 2016 and prior |
|--|--|--|--|
| Wage Inflation | 3.25 percent | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 10.75 percent including wage inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA: | | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple see below | 3 percent, simple see below | 3 percent, simple see below |
| Post-January 7, 2013 Retirees | 7.2 percent | 7.5 percent | 8 percent |
| Investment Rate of Return | Individual Entry Age | Individual Entry Age | Individual Entry Age |
| Actuarial Cost Method | | | |

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

| | |
|-------------------|---|
| 2021 | 0.5 percent, simple through 2021 then 2.15 percent, simple |
| 2020 | 1.4 percent, simple through 2020 then 2.15 percent, simple |
| 2017 through 2019 | 3.0 percent, simple through 2018 then 2.15 percent, simple |
| 2016 and prior | 3.0 percent, simple through 2018 then 2.80 percent, simple |

Amounts reported beginning in 2017 use pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

City of Garfield Heights, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

| | Beginning in 2018 | 2017 and Prior |
|----------------------------|--|---|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return | 8.0 percent | 8.25 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent | 4.25 percent to 11 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent | Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77 % | 68 % |
| 68-77 | 105 | 87 |
| 78 and up | 115 | 120 |

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Garfield Heights, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2021

Changes in Assumptions – OPERS OPEB

| | |
|-------------------------------|--------------------------------|
| Investment Return Assumption: | |
| Beginning in 2019 | 6.00 percent |
| 2018 | 6.50 percent |
| Municipal Bond Rate: | |
| 2021 | 2.00 percent |
| 2020 | 2.75 percent |
| 2019 | 3.71 percent |
| 2018 | 3.31 percent |
| Single Discount Rate: | |
| 2021 | 6.00 percent |
| 2020 | 3.16 percent |
| 2019 | 3.96 percent |
| 2018 | 3.85 percent |
| Health Care Cost Trend Rate: | |
| 2021 | 8.5 percent, initial |
| 2020 | 3.5 percent, ultimate in 2035 |
| 2019 | 10.5 percent, initial |
| 2018 | 3.5 percent, ultimate in 2030 |
| | 10.0 percent, initial |
| | 3.25 percent, ultimate in 2029 |
| | 7.5 percent, initial |
| | 3.25 percent, ultimate in 2028 |

Changes in Assumptions – OP&F OPEB

| | |
|------------------------|--------------|
| Blended Discount Rate: | |
| 2021 | 2.96 percent |
| 2020 | 3.56 percent |
| 2019 | 4.66 percent |
| 2018 | 3.24 percent |

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal AL Number | Total Federal Expenditures |
|---|-------------------------|-------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Cuyahoga County Department of Development</i> | | |
| <i>CDBG - Entitlement Grants Cluster:</i> | | |
| Community Development Block Grants/Entitlement Grants - Orchard Repair | 14.218 | \$83,643 |
| Community Development Block Grants/Entitlement Grants - Antenucci Sidewalk | 14.218 | 558 |
| <i>Total CDBG - Entitlement Grants Cluster</i> | | <u>84,201</u> |
| Total U.S. Department of Housing and Urban Development | | <u>84,201</u> |
| U.S. DEPARTMENT OF TREASURY <i>Passed Through Cuyahoga County</i> | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | <u>1,510,725</u> |
| Total U.S. Department of Treasury | | <u>1,510,725</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Western Reserve Area Agency on Aging</i> | | |
| <i>Aging Cluster:</i> | | |
| Special Programs for the Aging - Title III, Part C1 - Nutrition Services | 93.045 | 18,493 |
| <i>Total Aging Cluster</i> | | <u>18,493</u> |
| <i>Direct Program</i> | | |
| Provider Relief Fund - COVID-19 | 93.498 | <u>22,873</u> |
| Total U.S. Department of Health and Human Services | | <u>41,366</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY <i>Direct Program</i> | | |
| Assistance to Firefighters Grant | 97.044 | <u>5,956</u> |
| Total U.S. Department of Homeland Security | | <u>5,956</u> |
| Total Expenditures of Federal Awards | | <u>\$1,642,248</u> |

The accompanying notes are an integral part of this schedule.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Garfield Heights (the City) under programs of the federal government for the year ended December 31, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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

City of Garfield Heights
Cuyahoga County
5407 Turney Road
Garfield Heights, Ohio 44125

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 15, 2025, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2021-001 to be a material weakness.

City of Garfield Heights
Cuyahoga County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2025



65 East State Street
Columbus, Ohio 43215
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800-282-0370

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

City of Garfield Heights
Cuyahoga County
5407 Turney Road
Garfield Heights, Ohio 44125

To the City Council:

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the City of Garfield Heights', Cuyahoga County, (the City's) 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 the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on the COVID-19 Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for the Qualified Opinion* section of our report, the City of Garfield Heights complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2021.

Basis for the Qualified Opinion

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.

City of Garfield Heights
Cuyahoga County
Independent Auditor's Report On Compliance With Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 2

We are required to be independent of the City 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 qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the COVID-19 Coronavirus State and Local Fiscal Recovery Funds

As described in finding 2021-003 in the accompanying schedule of findings, the City did not comply with requirements regarding procurement and suspension and debarment applicable to its AL #21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds major federal program.

Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Responsibilities of Management for Compliance

The City'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 City'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 City'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 City's compliance with the requirements of the 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 City'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 City'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 City's internal control over compliance. Accordingly, no such opinion is expressed.

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

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.

Other Matter

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2021-003 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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.

City of Garfield Heights
Cuyahoga County
Independent Auditor's Report On Compliance With Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 4



Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2025

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Program's Compliance Opinion | Qualified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | Yes |
| (d)(1)(vii) | Major Program: | AL #21.027 – COVID-19 Coronavirus State and Local Fiscal Recovery Funds |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We noted the following material errors to the financial statements due to insufficient internal controls:

- Income taxes were overstated by \$735,171 and Basic Utility Capital Outlay Expenses were overstated by the same amount in the governmental activities and Storm and Sewer Fund opinion units. The error was due to the City reporting allocations from the Income Tax Collection Fund on the trial balances twice; and,
- Depreciable capital assets and Net Position Beginning of Year were overstated by \$1,644,994 in the governmental activities. The error was due to the City reporting road and storm and sewer infrastructure assets that varied from the actual value of the assets.

Management adjusted the financial statements to correct the errors noted above.

Additional immaterial errors ranging from \$217,909 to \$396,636 were noted. The City did not adjust the financial statements for the immaterial errors.

The lack of controls over the posting of financial transactions and financial reporting resulted in the errors and mispostings that required adjustments.

The City should ensure management oversees, monitors, and evaluates the adequacy of the financial report compilation.

Officials' Response: The City has made corrections that should eliminate these issues on the 2022 financial statements.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

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

FINDING NUMBER 2021-002

General and Municipal Court Bank Reconciliation – Significant Deficiency

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Clerk of Courts is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis for the City's Municipal Court. There were reconciling items, totaling \$1,807, that the Court could not provide supporting documentation for, resulting in a bank over book variance on the reconciliation as of December 31, 2021.

The Finance Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis for the City's general, payroll, and bond retirement bank accounts. There was an unknown \$13,404 bank over book variance on the reconciliation as of December 31, 2021.

Failure to reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Clerk of Courts and Finance Director should record all transactions and prepare monthly bank to book cash reconciliations, for the respective accounts for which they are responsible. Variances should be investigated, documented, and corrected. In addition, the Judge, for the Municipal Court, and the Mayor for all other accounts, should review the cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: In 2021, there were continual staffing changes in both the Finance Department and Municipal Court. During this year, those changes at times left the departments with minimal staff members to perform the duties of the departments. Both departments are currently at full staff with upgraded financial software that assures the accuracy of the bank reconciliations. Bank reconciliation procedures are being revised at this time.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

3. FINDING FOR FEDERAL AWARDS

Procurement Documentation – Noncompliance and Material Weakness

| | |
|--|---|
| Finding Number: | 2021-003 |
| Assistance Listing Number and Title: | AL # 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds |
| Federal Award Identification Number / Year: | 2021 |
| Federal Agency: | United States Department of Treasury |
| Compliance Requirement: | Procurement and Suspension and Debarment |
| Pass-Through Entity: | Cuyahoga County |
| Repeat Finding from Prior Audit? | No |

2 CFR § 1000.1 gives regulatory effect to the Department of Treasury for 2 CFR § 200.318 through 200.327 which describe specific procedures non-Federal entities must follow when entering into procurement transactions using Federal funds.

2 CFR § 200.318(a) indicates a non-Federal entity must have and use its own documented procurement procedures, consistent with State and local laws and regulations and the standards of 2 CFR § 200.318 through 200.327, for the acquisition of property or services required under a Federal award or subaward.

2 CFR § 200.320 indicates the non-Federal entity must use the following methods of procurement: (a) Procurement by micro-purchases, which the aggregate dollar amount does not exceed the non-Federal entity's micro-purchase dollar threshold; (b) Procurement by small purchase procedures, which are procurements of relatively simple and informal nature, which do not exceed the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources; (c) Procurement by sealed bids, which requires public solicitation of bids and a firm fixed price contract (lump-sum or unit price) is awarded to the responsible bidder whose bid, conforming with all material terms and conditions in the invitations to bid, is the lowest in price; (d) Procurement by competitive proposals, which is generally used when conditions are not appropriate for the use of sealed bids and is a procurement method in which either a fixed price or cost-reimbursement type contract is awarded; or (e) Procurement by non-competitive proposals, which are appropriate when an item can be obtained only from a single source, the non-competitive procurement is specifically authorized by the Federal awarding agency or pass-through entity, competition is deemed adequate after solicitation through competitive means, the aggregate amount of procurement does not exceed the micro-purchase threshold, and/or the public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation.

2 CFR § 200.318(i) indicates the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

31 CFR § 19.300 indicates before entering into a covered transaction as defined in 31 CFR § 19 Subpart B, the non-Federal entity must ensure the expenditure is not made to an individual or business that is excluded or disqualified from receiving Federal funds by checking the Excluded Party List System (EPLS), collecting a certification from the individual or business, or adding a clause or condition to the contract.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

**3. FINDING FOR FEDERAL AWARDS
(Continued)**

**FINDING NUMBER 2021-003
(Continued)**

Procurement Documentation – Noncompliance and Material Weakness (Continued)

The City did not establish the necessary controls or policies to ensure proper compliance with Procurement requirements. For five of five procurements in excess of the City's micro-purchase threshold which were entered into using Coronavirus State and Local Fiscal Recovery Funds (SLRF), the City did not maintain records sufficient to detail the history of the procurement. It was not evident if the City obtained quotes or bids for the items purchased or if a cost-price analysis was performed. Additionally, the City did not have written procurement procedures that conform to applicable laws noted above. Finally, the City did not ensure the vendors paid under covered transactions using SLRF funds were not excluded or disqualified from receiving Federal funds.

The City should review the procurement requirements contained in 2 CFR § 200.318 through 200.327 and develop policies and procedures to ensure compliance. The City should maintain sufficient documentation to detail the history of the procurement, which may vary depending on the procurement method used. As a part of the procurement process, the City should include procedures for ensuring a vendor is not excluded or disqualified from receiving Federal funds and maintain documentation the procedure was followed.

Officials' Response: The Finance Department is preparing procedures to address Federal procurement requirements. The City adheres to purchasing policies established by City Ordinance with regards to bidding processes, using purchasing consortiums and doing due diligence to obtain at least three quotes for purchasing larger items which are under bid limits. The City understands that additional need to be taken to ensure compliance.

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2021-004

Pension Penalties – Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 742.32 states, in part, the fiscal officer of each employer shall transmit monthly to the secretary of the board of trustees of the Ohio police and fire pension fund (OP&F) a report of employee deductions in such form as the board requires. The report shall show all deductions for the fund made pursuant to section 742.31 of the Revised Code and shall be accompanied by payments covering the total of such deductions. The report shall also include the name of each member for whom deductions were made and the portion of the payment attributed to that member. Separate payments shall be so transmitted for that portion of such deductions made from the salaries of member of the police department and for that portion of such deductions made from the salaries of members of the fire department. The report and payment are due the last day of the month following the last business day of the reporting period.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021
(Continued)**

**4. OTHER – FINDINGS FOR RECOVERY
(Continued)**

**FINDING NUMBER 2021-004
(Continued)**

Pension Penalties – Finding for Recovery Repaid Under Audit (Continued)

A penalty determined under section 742.352 of the Revised Code shall be assessed if any of the following occur:

- 1) The report is received by the board after the due date or is not in the form required by the board; or
- 2) Payments to cover the total amount due from the salaries of all employees of the employer are received by the board after the due date.

Ohio Rev. Code §145.47 indicates, in part, the fiscal officer of each local authority subject to this chapter shall transmit promptly to the Ohio public employees retirement system (OPERS) a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions within thirty days after the last day of such reporting period. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employee is filed thirty or more days after the last day of such reporting period. OPERS has established a monthly reporting requirement for employers.

The City did not have controls implemented to timely submit retirement payments to OPERS and OP&F. Based upon confirmations received from OP&F and OPERS, the City paid penalties and interest for late payment and filing of contribution reports to the pension systems totaling \$200.00, \$12,258.62 and \$25,991.90 in 2023, 2022, and 2021, respectively.

The City should report and remit monies due to OP&F and OPERS in a timely manner, as required by the above Ohio Rev. Code Sections.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Barbara Biro, and her bonding company, Western Surety in the amount of \$38,450.52 and in favor of the City of Garfield Heights General Fund.

On May 31, 2024 and August 16, 2024, the City received checks from Barbara Biro in the total amount of \$13,450.52. Additionally, on July 26, 2024, the City received a check from Western Surety in the amount of \$25,000. All checks were deposited in the City's General Fund, and the entire of amount of the finding for recovery is considered repaid under audit.

Additionally, this matter has been referred to the Ohio Public Employees Retirement System and Ohio Police and Fire Pension Fund.

Officials' Response: We did not receive a response from Officials to this finding.



Office of the Finance Director
Email: bbiro@garfieldhts.org
Telephone: 216-475-1504
Fax: 216-475-3807

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|-------------------------------|
| 2020-001 | Financial Reporting-Material Weakness: A material error requiring adjustment to the financial statements was noted. | Not corrected | Reissued as finding 2021-001. |
| 2020-002 | Municipal Court Bank Reconciliation-Significant Deficiency: Bank to book reconciliations were not prepared during part of the year and at year-end there was an unknown bank over book variance. | Not corrected | Reissued as finding 2021-002. |

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Fax: 216-475-3807

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2021

| | |
|---|---|
| Finding Number: | 2021-001 |
| Planned Corrective Action: | Adjustments were made to the 2022 financial statements. |
| Anticipated Completion Date: | Completed in 2022 |
| Responsible Contact Person: | Barbara Biro, Finance Director |
| Finding Number: | 2021-002 |
| Planned Corrective Action: | Written Procedures for bank reconciliations by both the Municipal Court and Finance Department. Establishing two-step reviews of the reconciliations. |
| Anticipated Completion Date: | Completed in 2022 |
| Responsible Contact Person: | Alexander Grgat, Clerk of Court, Barbara Biro, Finance Director |
| Finding Number: | 2021-003 |
| Planned Corrective Action: | Preparation of written federal procurement procedures for compliance purposes |
| Anticipated Completion Date: | January 2025 |
| Responsible Contact Person: | Barbara Biro, Finance Director |

OHIO AUDITOR OF STATE KEITH FABER



CITY OF GARFIELD HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/4/2025

65 East State 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