

INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2021





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

Board of Directors
Invictus High School
3122 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of Invictus High School, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Invictus High School is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 15, 2022

This page intentionally left blank.

**INVICTUS HIGH SCHOOL
 CUYAHOGA COUNTY
 REGULAR AUDIT
 For the Year Ended June 30, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows.....	12
Notes to the Basic Financial Statements.....	13
Required Supplementary Information:	
Schedule of the School's Proportionate Share of the Net Pension Liability	37
Schedule of School Contributions - Pensions	38
Schedule of the School's Proportionate Share of the Net OPEB Liability	39
Schedule of School Contributions - OPEB	40
Notes to the Required Supplementary Information	41
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Schedule of Prior Audit Findings.....	46

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Invictus High School
Cuyahoga County
3122 Euclid Avenue
Cleveland, Ohio 44115

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Invictus High School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invictus High School, Cuyahoga County, Ohio, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12D to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the School. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the School's internal control over financial reporting and on 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 School'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 School's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 22, 2021

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2021**

The discussion and analysis of the Invictus High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- Total net position was \$(570,947) in fiscal year 2021.
- Total operating and non-operating revenues were \$4,690,068 in fiscal year 2021.
- Total expenses were \$4,505,314 in fiscal year 2021.
- Current liabilities were \$157,337 in fiscal year 2021.
- The School had \$4,283,046 of long-term liabilities as of June 30, 2021.

Using this Financial Report

This report consists of three parts: required supplementary information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2021. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in net position. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations.

The School uses enterprise presentation for all of its activities.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)**

Table 1 provides a summary of the School's Net Position for 2021 compared to the prior year.

(Table 1)
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 1,966,099	\$ 1,508,939
Non-Current Assets	338,366	282,708
Capital Assets, Net	918,282	927,899
Total Assets	3,222,747	2,719,546
Deferred Outflows of Resources		
Pension Requirements	988,662	1,366,813
OPEB	227,788	158,435
Total Deferred Outflows of Resources	1,216,450	1,525,248
Liabilities		
Current Liabilities	157,337	222,307
Long Term Liabilities	4,283,046	4,111,935
Total Liabilities	4,440,383	4,334,242
Deferred Inflows of Resources		
Pension Requirements	117,710	193,914
OPEB	452,051	472,339
Total Deferred Inflows of Resources	569,761	666,253
Net Position		
Net Investment In Capital Assets	905,243	858,254
Restricted for Grants	8,156	77,684
Unrestricted	(1,484,346)	(1,691,639)
Total Net Position	\$ (570,947)	\$ (755,701)

Total assets were \$3,222,747 while total liabilities were \$4,440,383. Cash and cash equivalents were \$1,865,165 while receivables and other current assets were \$100,934.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)**

Statement of Revenues, Expenses and Changes in Net Position

Table 2, below, demonstrates the net position for fiscal year 2021, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)

Change in Net Position

	2021	2020
Operating Revenues		
State Aid	\$3,714,838	\$4,017,935
Casino Aid	16,533	22,936
Facilities Funding	87,125	94,806
Non-Operating Revenue		
Grants	806,831	577,246
Interest Income	4,153	6,179
Miscellaneous	60,588	20,976
Total Revenues	4,690,068	\$4,740,078
Operating Expenses		
Salaries	2,076,594	2,022,783
Fringe Benefits	687,624	633,580
Change in Net Pension and OPEB Liability	391,285	1,057,592
Purchased Services	923,607	1,271,617
Materials and Supplies	349,877	160,026
Depreciation	33,814	27,765
Other Operating Expenses	38,144	40,175
Non-Operating Expenses		
Interest and Fiscal Charges	4,369	8,031
Total Expenses	4,505,314	5,221,569
Change in Net Position	\$ 184,754	\$ (481,491)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2021 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the School adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)**

pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)**

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees.

Debt

At June 30, 2021, the School had \$9,551 in outstanding debt due to Middlefield Bank for the mortgage, which was issued during the fiscal year to purchase the educational facility. See Note 9 in the notes to the basic financial statements.

Capital Assets

At the end of fiscal year 2021, the School had a capital asset net book value of \$918,282. The capital assets are reported in the accompanying Statement of Net Position, at June 30, 2021.

(Table 3)
Capital Assets (Net of Depreciation)

	<u>2021</u>	<u>2020</u>
Buildings	\$ 786,548	\$ 809,772
Land	114,029	114,029
Furniture and Equipment	<u>17,705</u>	<u>4,098</u>
Total Capital Assets, Net	<u>\$ 918,282</u>	<u>\$ 927,899</u>

For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements.

Current Financial Issues

The Invictus High School received revenue for 369 students (FTE) in 2021 (a decrease of 24 students from 2021) and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$13,039 in fiscal year 2021. The School receives additional revenues from grant subsidies.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)**

State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. In July 2010, the School contracted with Saint Aloysius Orphanage (SAO) (Sponsor) to be its Sponsor. The term of the contract is from July 1, 2010 through June 30, 2014. The sponsor was paid two percent (2%) for the time period of July 1, 2010 through June 30, 2012, two and a half percent (2.5%) for the time period of July 1, 2012 through June 30, 2013 and three percent (3%) for the remainder of the contractual period, which was extended one year through June 30, 2016. In June 2016, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2018. In July 2018, the School signed a five year contract expiring June 30, 2023. The school may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

Currently Known Facts

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the School. Due to the dynamic environment and change in fiscal policies, the exact impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Darlene C Holt, Fiscal Officer for the 3122 Euclid Avenue, Cleveland, OH 44115 or e-mail at holtbiz.consult@gmail.com.

This page intentionally left blank.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,865,165
Account Receivable	13,646
State Funding Receivable	49,465
Grants Receivable	34,604
Sponsor Fee Receivable	3,219
Total Current Assets	<u>1,966,099</u>

Noncurrent Assets:

Leasehold Deposits	22,933
Loan to School	107,626
Net OPEB Asset	207,807
Non-Depreciable Capital Assets	114,029
Depreciable Capital Assets, net	804,253
Total Non-Current Assets	<u>1,256,648</u>
Total Assets	<u>3,222,747</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Requirements	988,662
OPEB	227,788
Total Deferred Outflows of Resources	<u>1,216,450</u>

LIABILITIES

Current Liabilities:

Accounts Payable	8,244
Grants Funding Payable	56,454
Continuing Fees Payable	78,405
Intergovernmental Payable	2,166
Capital Lease Payable, due within one year	2,517
Mortgage Payable, Due in One Year	9,551
Total Current Liabilities	<u>157,337</u>

Long-Term Liabilities:

Capital Lease Payable	971
Net Pension Liability	3,947,537
Net OPEB Liability	334,538
Total Long Term Liabilities	<u>4,283,046</u>
Total Liabilities	<u>4,440,383</u>

DEFERRED INFLOWS OF RESOURCES

Pension Requirements	117,710
OPEB	452,051
Total Deferred Inflows	<u>569,761</u>

NET POSITION

Net Investment in Capital Assets	905,243
Restricted for Grants	8,156
Unrestricted	<u>(1,484,346)</u>
Total Net Position	<u>\$ (570,947)</u>

See accompanying notes to the basic financial statements

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES	
State Aid	\$ 3,714,838
Casino Aid	16,533
Facilities Funding	<u>87,125</u>
Total Operating Revenues	<u>3,818,496</u>
OPERATING EXPENSES	
Salaries	2,076,594
Fringe Benefits	687,624
Change in Net Pension and OPEB Liability	391,285
Purchased Services	923,607
Materials and Supplies	349,877
Depreciation	33,814
Other	<u>38,144</u>
Total Operating Expenses	<u>4,500,945</u>
Operating Income/(Loss)	<u>(682,449)</u>
NON-OPERATING REVENUE/(EXPENSES)	
Grants	806,831
Interest and Fiscal Charges	(4,369)
Miscellaneous	60,588
Interest Income	<u>4,153</u>
Total Non-Operating Revenue/(Expenses)	<u>867,203</u>
Change in Net Position	184,754
Net Position Beginning of Year	<u>(755,701)</u>
Net Position End of Year	<u><u>\$ (570,947)</u></u>

See accompanying notes to the basic financial statements

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State of Ohio	\$ 3,796,603
Cash Payments to Employees for Services	(2,086,223)
Cash Payments for Employee Benefits	(660,624)
Cash Payments for Goods and Services	(1,264,818)
Other Cash Payments	(38,144)
Net Cash Used For Operating Activities	<u>(253,206)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Miscellaneous Cash Receipts	37,843
Cash Received from Grant Programs	781,385
Net Cash Provided By Noncapital Financing Activities	<u>819,228</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Paid on Capital Asset Addition	(24,197)
Cash Payments to Notes Receivable	(20,500)
Cash Payments for Principal on Capital Leases and Mortgage	(54,711)
Cash Payments for Interest and Fiscal Charges	(4,369)
Cash Payments for Principal on Notes Payable	(2,013)
Net Cash Used By Capital Financing Activities	<u>(105,790)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	<u>4,153</u>
--	--------------

Net Increase in Cash and Cash Equivalents	464,385
Cash and Cash Equivalents Beginning of Year	1,400,780
Cash and Cash Equivalents End of Year	<u>\$ 1,865,165</u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (682,449)
----------------	--------------

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation	33,814
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:	
Sponsor Fees Receivable	(512)
Receivable from School	20,500
Net OPEB Asset	(4,719)
Accounts Payable	(11,322)
State Funding Payable	(21,893)
Retirement Expense Payable/Receivable	(9,629)
Net Pension Liability	263,156
Deferred Outflows-Pension	378,151
Deferred Inflows-Pension	(76,204)
Net OPEB Liability	(52,458)
Deferred Outflows-OPEB	(69,353)
Deferred Inflows-OPEB	(20,288)
Net Cash Provided By Operating Activities	<u>\$ (253,206)</u>

See accompanying notes to the basic financial statements

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Invictus High School (the School) is a federal 501(c)(3), state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from August 23, 1999 through June 30, 2004. The contract was also renewed with the Ohio State Board of Education for a subsequent one year period from July 1, 2004 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with Ohio Council of Community Schools (OCCS), to operate for a period from July 1, 2005 through June 30, 2010. The School contracted with the Saint Aloysius Orphanage as its sponsor effective July 1, 2010. The Term of the Contract was from July 1, 2010 through June 30, 2016 and was renewed for one additional year ending June 30, 2017. SAO is paid three percent (3%) for the contractual period of state foundation revenue. In June 2017, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2018. The school may terminate the agreement by sending notice 180 days prior to June 30. The School renewed its agreement effective July 1, 2018 for a five year term expiring June 30, 2023. The Sponsor can terminate by sending notice by February 1st of the termination year.

The School operates under a self-appointing, seven-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School began operations in July 1999 and has one instructional/support facility, which is leased. The facility is staffed with teaching personnel employed by the Board, who provide services to 369 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows of resources, liabilities, and deferred outflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the school's contract with its sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2021. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391, as it relates to five-year forecasts.

D. Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts, or a money market account. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2021, the School invested in STAR Ohio. 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 Investment Pools and Pool Participants." The School measures its 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 the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 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.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2021 school year totaled \$4,625,327.

F. Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation, at \$918,282. Depreciation is computed by the straight-line method over five years for "Furniture and Equipment", five to twenty years for "Leasehold Improvements" and 39 years for "Buildings".

G. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities, and deferred outflows of resources the disclosure of contingent assets, deferred inflows of resources, liabilities, and deferred outflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Position

Net position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities plus deferred inflows of resources). Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State aid, facility aid and Casino Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Pensions

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pension/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.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position (see Notes 10 and 11).

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2021, the carrying amount of all School deposits was \$840,880 and its bank balance was \$905,129. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, all of the bank balance was covered by FDIC.

B. Investments

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

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>
		<u>6 months or less</u>
STAR Ohio	\$1,024,285	\$1,024,285

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School, will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School's investment policy does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

Interest Rate Risk: As a means of limiting its exposure to measurement value losses arising from rising interest rates and according to state law, the School's investment policy limits

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54.4 days.

Credit Risk: The School's investments at June 30, 2021 in STAR Ohio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2021:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Percent to Total</u>
STAR Ohio	\$1,024,285	100.00

4. PAYABLES

Accounts Payable of \$8,244 is due various vendors during the normal course of operations. A "Continuing Fees Payable" and "Grant Funding Payable to former management company White Hat Management Company, (WHLS, LLC) has been recorded by the School in the amount of \$78,405, and \$56,454, respectively, and reported in the Statement of Net Position. The balance was due an underpayment of management fees not paid and awaiting final reconciliation in fiscal year 2013 and unpaid to WHLS as of June 30, 2021. Intergovernmental Payable consists of \$2,166 at June 30, 2021.

5. RECEIVABLES

The School has recorded "Grants Receivable" in the amount of \$34,604 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2021. Sponsor Fee Receivable of \$3,219 is recorded for Sponsor share FTE adjustments in State Funding Payable. Loan to School for payroll advance to Green Inspiration Academy.

Both are reported in the Statement of Net Position.

6. CAPITAL ASSETS AND DEPRECIATION

The summary of capital assets at June 30, 2021 follows:

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2021</u>
Capital Assets Not Being Depreciated				
Land	\$114,029	\$ -	\$ -	\$ 114,029
Capital Assets Being Depreciated				
Furniture and Equipment	70,188	24,197	-	94,385
Buildings	905,751	-	-	905,751
Total Capital Assets Being Depreciated	<u>975,939</u>	<u>24,197</u>	<u>-</u>	<u>1,000,136</u>
Less Accumulated Depreciation				
Furniture and Equipment	(66,090)	(10,590)	-	(76,680)
Buildings	(95,979)	(23,224)	-	(119,203)
Total Accumulated Depreciation	<u>(162,069)</u>	<u>(33,814)</u>	<u>-</u>	<u>(195,883)</u>
Net Total Capital Assets	<u>\$927,899</u>	<u>\$ (9,617)</u>	<u>\$ -</u>	<u>\$ 918,282</u>

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

7. RISK MANAGEMENT

A. **Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2021, the School contracted with the Cincinnati Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	4,000,000
Director and Officers Liability	1,000,000
Employment Practices Liability	1,000

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2021. Settled claims have not exceeded commercial coverage in any year of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

C. Employee Medical, Dental and Vision Benefits

The School has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

8. CAPITALIZED LEASE OBLIGATIONS

The School entered into a capitalized lease for the acquisition of equipment. The lease meets the criteria of a capital lease as defined by the accounting standards, which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment. The School paid \$2,013 in principal and \$1,040 in interest for the fiscal year ended June 30, 2021.

Fiscal Year	Capital Lease
2022	\$ 3,053
2023	1,018
Total	4,071
Less: Amount Representing Interest	(583)
Present Value of minimum payments	<u>\$ 3,488</u>

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

9. LONG-TERM LIABILITIES

A summary of long-term obligations for the lease and the mortgage outstanding for land, buildings and improvements at June 30, 2021, is as follows:

	<u>Principal Outstanding 6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2021</u>	<u>Amounts Due Within One Year</u>
Equipment Lease	\$ 5,501	-	\$ (2,013)	\$ 3,488	\$ 2,517
Middlefield Bank	64,145	-	(54,594)	9,551	9,485
Net Pension Liability	3,711,381	\$ 236,156	-	3,947,537	-
Net OPEB Liability	386,996	-	(52,428)	334,568	-
Total Long-Term Liabilities	<u>\$ 4,168,023</u>	<u>\$ 236,156</u>	<u>\$ (109,035)</u>	<u>\$ 4,295,143</u>	<u>\$ 12,002</u>

Net Pension and OPEB Liability – See Notes 10 and 11 for related information.

Middlefield Bank – In September 2016, the School incurred a mortgage outstanding with Liberty Bank of \$250,000. This mortgage is for the purpose of improvements to be used as an educational facility. Terms of the mortgage provide for monthly payments of \$4,656, principal and interest, for 60 months at an annual interest rate of 5.00%. At June 30, 2021, the principal balance was \$9,551. Interest and principal payments totaling \$55,872 were made for the year ending June 30, 2021. Interest comprised \$1,278. See below for the amortization table for the outstanding obligation at June 30, 2021.

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 9,551</u>	<u>\$ 66</u>	<u>\$9,617</u>
Total	<u>\$ 9,551</u>	<u>\$ 66</u>	<u>\$9,617</u>

10. DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and 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 net pension/OPEB liability (asset) represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/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 this estimate annually.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/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 long-term *net pension/OPEB liability (asset)*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accounts *payable*.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School's contractually required contribution to SERS was \$83,247 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$201,347 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01642630%	0.01182433%	
Prior Measurement Date	0.01670900%	0.01226193%	
Change in Proportionate Share	<u>-0.00028270%</u>	<u>-0.00043760%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 1,086,470	\$ 2,861,067	\$ 3,947,537
Pension Expense	\$ 172,811	\$ 649,976	\$ 822,787

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ 2,111	\$ 6,420	\$ 8,531
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	68,968	139,131	208,099
Changes of Assumptions	-	153,584	153,584
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	-	333,854	333,854
School Contributions Subsequent to the			
Measurement Date	83,247	201,347	284,594
Total Deferred Outflows of Resources	<u>\$ 154,326</u>	<u>\$ 834,336</u>	<u>\$ 988,662</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ -	\$ 18,293	\$ 18,293
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	25,961	73,456	99,417
Total Deferred Inflows of Resources	<u>\$ 25,961</u>	<u>\$ 91,749</u>	<u>\$ 117,710</u>

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

\$284,594 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (20,895)	\$ 266,632	\$ 245,737
2023	15,673	114,436	130,109
2024	28,746	115,352	144,098
2025	21,594	44,820	66,414
	\$ 45,118	\$ 541,240	\$ 586,358

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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. Future benefits for all current plan members were projected through 2130.

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

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

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS(continued)

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net Pension Liability	\$ 1,488,331	\$ 1,086,470	\$ 749,301

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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

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

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

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS(continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 4,073,661	\$ 2,861,067	\$ 1,833,494

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

Plan Description - School Employees Retirement System (SERS) (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School's surcharge obligation was \$0.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.01539300%	0.01182400%	
Prior Measurement Date	0.01538900%	0.01226200%	
Change in Proportionate Share	<u>0.00000400%</u>	<u>-0.00043800%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 334,538	\$ (207,807)	
OPEB Expense	\$ 24,193	\$ (171,011)	\$ (146,818)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 4,395	\$ 13,317	\$ 17,712
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,772	7,283	11,055
Changes of Assumptions	57,029	3,430	60,459
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	68,712	69,850	138,562
Total Deferred Outflows of Resources	<u>\$ 133,908</u>	<u>\$ 93,880</u>	<u>\$ 227,788</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 170,137	\$ 41,392	\$ 211,529
Changes of Assumptions	8,426	197,380	205,806
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	34,105	611	34,716
Total Deferred Inflows of Resources	<u>\$ 212,668</u>	<u>\$ 239,383</u>	<u>\$ 452,051</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (9,931)	\$ (34,864)	\$ (44,795)
2023	(9,657)	(29,937)	(39,594)
2024	(9,701)	(28,201)	(37,902)
2025	(21,226)	(34,203)	(55,429)
2026	(21,398)	(8,157)	(29,555)
Thereafter	<u>(6,847)</u>	<u>(10,141)</u>	<u>(16,988)</u>
	<u>\$ (78,760)</u>	<u>\$ (145,503)</u>	<u>\$ (224,263)</u>

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions - SERS (continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 409,469	\$ 334,538	\$ 274,972
		Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 263,425	\$ 334,538	\$ 429,640

Actuarial Assumptions – STRS

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

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions – STRS (continued)

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

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (180,805)	\$ (207,807)	\$ (230,716)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (229,294)	\$ (207,807)	\$ (181,632)

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

11. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)

Benefit Term Changes since the Prior Measurement Date There were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

12. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2021, if applicable, cannot be determined at this time.

B. Full Time Equivalency

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2021 and determined the School is due from ODE \$3,219. This amount is reported as state funding receivable on the statement of net position.

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

C. Litigation

In February 2009, the School Filed a Lawsuit against the WHLS and its affiliates for matters related to the management agreement. The effect of this lawsuit is presently not determinable.

In December 2016, Cambridge Education Group filed a lawsuit against the School for the termination of its management agreement. The effect of this lawsuit is presently not determinable.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

12. CONTINGENCIES (Continued)

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School's investment portfolio and the investments of the pension and other employee benefit plans in which the School participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021..

13. SPONSORSHIP FEES

The School contracted with the Saint Aloysius Orphanage as its sponsor effective July 1, 2010. The Term of the Contract was from July 1, 2010 through June 30, 2016 and was renewed for one additional year ending June 30, 2017. SAO is paid three percent (3%) for the contractual period of state foundation revenue. Total fees for fiscal 2017 were \$125,085. In June 2017, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2018. On July 1, 2018, the School entered into a five year contract through June 30, 2023. The School may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

14. TAX EXEMPT STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

15. DEPOSITS AND OPERATING LEASES – LESSEE DISCLOSURE

The School entered into a lease agreement during fiscal year 2017 with Midway Capital Inc. (formerly All Star Development, Inc). for the Euclid Ave facility. The term of the lease is for 5 years at \$11,875 per month with annual increases ending at \$12,975 per month in years 4 and 5. Total payments to Midway Capital were \$169,062. The School paid a deposit of \$23,250 to secure the facility and the deposit is listed on the financial statements. The School entered into a lease agreement with TMN LTD for the Lee Road facility in fiscal year 2014 for 5 years ending June 30, 2019 with a renewal each year. The base rate of the lease is \$8,500 per month. Total payments to TMN LTD were \$102,000.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

16. OTHER PURCHASED SERVICES

For the period July 1, 2020 through June 30, 2021, purchased service expenses were for the following services:

	<u>2021</u>
Professional Services	\$ 368,437
Property Services	378,637
Travel and Professional Development	49,146
Communications	45,993
Utilities	61,725
Trade Services	268
Tuition Payments	275
Transportation	475
Other Purchased Services	<u>18,651</u>
Total	<u><u>\$ 923,607</u></u>

17. NOTES RECEIVABLE

A summary of the note receivable for the School at June 30, 2021, is as follows:

Green Inspiration Academy – The School has a loan outstanding with Green Inspiration Academy, dated April 7, 2019, in the amount of \$104,591. This Note was given for operating purposes. The loan schedule provides for monthly payments of \$4,432, principal and interest, for 25 months at an annual interest rate of 6.0% starting July 2020.

The note was revisited in January 2021 and amended for \$125,000. The current promissory note schedule provides for monthly payments of \$2,417, principal and interest, for 60 months at an annual interest rate of 6.0% starting February 2021.

17. SUBSEQUENT EVENTS

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Invictus High School
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)								
School's Proportion of the Net Pension Liability	0.01642630%	0.01670900%	0.01782840%	0.01205556%	0.01091730%	0.00584570%	0.00305900%	0.00305900%
School's Proportionate Share of the Net Pension Liability	\$ 1,086,470	\$ 999,729	\$ 1,021,065	\$ 720,295	\$ 799,046	\$ 333,561	\$ 154,814	\$ 181,909
School's Covered Payroll	\$ 535,264	\$ 570,711	\$ 599,015	\$ 402,914	\$ 397,343	\$ 172,572	\$ 97,915	\$ 72,153
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.98%	175.17%	170.46%	178.77%	201.10%	193.29%	158.11%	252.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	69.16%	71.70%	65.52%	65.52%
State Teachers Retirement System (STRS)								
School's Proportion of the Net Pension Liability	0.01182433%	0.01226193%	0.01078057%	0.00934193%	0.00828500%	0.00616720%	0.00350674%	0.00350674%
School's Proportionate Share of the Net Pension Liability	\$ 2,861,067	\$ 2,711,652	\$ 2,370,405	\$ 2,219,196	\$ 2,772,402	\$ 1,704,550	\$ 1,745,808	\$ 1,016,041
School's Covered Payroll	\$ 1,427,014	\$ 1,439,600	\$ 1,254,993	\$ 1,028,600	\$ 983,057	\$ 497,614	\$ 317,762	\$ 323,015
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	188.88%	215.75%	282.02%	342.54%	268.43%	314.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.30%	66.80%	72.10%	69.30%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Invictus High School
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Contributions - Pension
Last Ten Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
School Employees Retirement System (SERS)										
Contractually Required Contribution	\$ 83,247	\$ 74,937	\$ 77,046	\$ 80,867	\$ 56,408	\$ 55,628	\$ 22,745	\$ 13,571	\$ 9,986	\$ 8,929
Contributions in Relation to the Contractually Required Contribution	<u>(83,247)</u>	<u>(74,937)</u>	<u>(77,046)</u>	<u>(80,867)</u>	<u>(56,408)</u>	<u>(55,628)</u>	<u>(22,745)</u>	<u>(13,571)</u>	<u>(9,986)</u>	<u>(8,929)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$ 594,621	\$ 535,264	\$ 570,711	\$ 599,015	\$ 402,914	\$397,343	\$172,572	\$ 97,915	\$ 72,153	\$ 66,387
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$201,347	\$ 199,782	\$201,544	\$ 175,699	\$ 144,004	\$137,628	\$ 69,666	\$ 41,309	\$ 41,992	\$ 56,169
Contributions in Relation to the Contractually Required Contribution	<u>(201,347)</u>	<u>(199,782)</u>	<u>(201,544)</u>	<u>(175,699)</u>	<u>(144,004)</u>	<u>(137,628)</u>	<u>(69,666)</u>	<u>(41,309)</u>	<u>(41,992)</u>	<u>(56,169)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$1,438,193	\$ 1,427,014	\$1,439,600	\$1,254,993	\$1,028,600	\$983,057	\$497,614	\$317,762	\$323,015	\$432,069
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Invictus High School
Cuyahoga, County
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)
Last Five Fiscal Years

	2021	2020	2019	2018	2017
School Employees Retirement System (SERS)					
School's Proportion of the Net OPEB Liability	0.01539300%	0.01538900%	0.01651860%	0.01182950%	0.00994322%
School's Proportionate Share of the Net OPEB Liability	\$ 334,538	\$ 386,996	\$ 458,271	\$ 317,473	\$ 283,419
School's Covered Payroll	\$ 535,264	\$ 570,711	\$ 599,014	\$ 402,914	\$ 397,393
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	62.50%	67.81%	76.50%	78.79%	71.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)					
School's Proportion of the Net OPEB Liability/(Asset)	0.01182400%	0.01226200%	0.01078057%	0.00903167%	0.00810717%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (207,807)	\$ (203,088)	\$ (173,233)	\$ 352,382	\$ 433,574
School's Covered Payroll	\$ 1,427,014	\$ 1,439,600	\$ 1,225,571	\$ 1,028,600	\$ 963,057
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	34.26%	45.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior year-end.
SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Invictus High School
Cuyahoga, County
Required Supplementary Information
Schedule of the School's Contributions - OPEB
Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
School Employees Retirement System (SERS)										
Contractually Required Contribution (1)	\$ 0	\$ 2,072	\$ 4,117	\$ 7,573	\$ 3,116	\$ 225	\$ 2,563	\$ 3,178	\$ 3,230	\$ 4,321
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(2,072)</u>	<u>(4,117)</u>	<u>(7,573)</u>	<u>(3,116)</u>	<u>(225)</u>	<u>(2,563)</u>	<u>(3,178)</u>	<u>(3,230)</u>	<u>(4,321)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$ 594,621	\$ 535,264	\$ 570,711	\$ 599,014	\$ 402,914	\$397,393	\$172,572	\$ 97,915	\$ 72,153	\$ 66,387
OPEB Contributions as a Percentage of Covered Payroll (1)	0.00%	1.92%	0.72%	1.26%	0.77%	0.06%	1.49%	3.25%	4.48%	6.51%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,593	\$ 1,560	\$ 1,403	\$ 2,365
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,593)</u>	<u>(1,560)</u>	<u>(1,403)</u>	<u>(2,365)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$1,438,193	\$1,427,014	\$1,439,600	\$1,225,571	\$1,028,600	\$963,057	\$497,614	\$317,762	\$323,015	\$432,069
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

(1) Includes surcharge

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

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

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

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

Pre-Medicare

Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

**INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Note 2 - Net OPEB Liability (Asset) (Continued)

Changes in Benefit Terms – STRS

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Invictus High School
Cuyahoga County
3122 Euclid Avenue
Cleveland, Ohio 44115

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Invictus High School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 22, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School.

Internal Control Over Financial Reporting

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

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

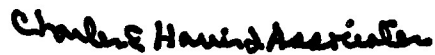
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 22, 2021

INVICTUS HIGH SCHOOL
CUYAHOGA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021
(Prepared by management)

Finding Number	Finding Summary	Status	Additional Information
2020-001	Material adjustments regarding pension and OPEB deferred inflows and outflows	Corrective Action Taken and Finding is Fully Corrected	

OHIO AUDITOR OF STATE KEITH FABER



INVICTUS HIGH SCHOOL

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/1/2022

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

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