

***LAKE ERIE INTERNATIONAL HIGH SCHOOL***

***CUYAHOGA COUNTY, OHIO***

**REGULAR AUDIT**

**For the Year Ended June 30, 2020**







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

Board of Directors  
Lake Erie International High School  
11650 Detroit Avenue  
Cleveland, Ohio 44124

We have reviewed the *Independent Auditor's Report* of the Lake Erie International High School, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. 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. The Lake Erie International High School is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 05, 2021

**This page intentionally left blank.**

LAKE ERIE INTERNATIONAL HIGH SCHOOL  
 CUYAHOGA COUNTY  
 REGULAR AUDIT  
 For the Year Ended June 30, 2020

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements:</b>	
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.....	14
<b>Required Supplementary Information:</b>	
Schedule of the School's Proportionate Share of the Net Pension Liability .....	37
Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset) .....	38
Schedule of School Contributions - Pensions .....	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> .....	43
Schedule of Findings.....	45
<b>Prepared by Management:</b>	
Corrective Action Plan.....	46

**This page intentionally left blank.**

**INDEPENDENT AUDITOR'S REPORT**

Lake Erie International High School  
Cuyahoga County  
11650 Detroit Avenue  
Cleveland, Ohio 44124

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lake Erie International High School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School'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 the Lake Erie International High School, Cuyahoga County, Ohio, as of June 30, 2020, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The financial impact of COVID-19 and the 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 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 January 12, 2021, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the 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.***  
January 12, 2021



**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED**

The discussion and analysis of the Lake Erie International High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School'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 2020 are as follows:

- Total net position was \$1,271,796 in fiscal year 2020.
- Total operating and non-operating revenues were \$ 2,699,704 in fiscal year 2020.
- Total expenses were \$2,623,048 in fiscal year 2020.
- Current liabilities were \$156,631 in fiscal year 2020.
- The School had \$1,820,032 of long-term liabilities as of June 30, 2020.
- Net Pension Liability decreased \$453,661 which is offset by an increase of \$365,010 in Deferred Inflows.

**Using this Financial Report**

This report consists of three parts, the MD&A, 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 2020. 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 School uses enterprise presentation for all of its activities.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

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

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2020. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position for 2020.

(Table 1)

**Statement of Net Position**

	2020	2019
<b>Assets</b>		
Current Assets	\$ 2,277,600	\$ 1,860,018
Non-Current Assets	100,424	143,282
Capital Assets, Net	706,347	727,569
Total Assets	3,084,371	2,730,869
<b>Deferred Outflows of Resources</b>		
Pension Requirements	689,660	1,070,041
OPEB	159,447	120,499
Total Deferred Outflows of Resources	849,107	1,190,540
<b>Liabilities</b>		
Liabilities		
Current Liabilities	156,631	136,200
Long Term Liabilities	1,820,032	2,223,406
Total Liabilities	1,976,663	2,359,606
<b>Deferred Inflows of Resources</b>		
Pension Requirements	510,262	145,252
OPEB	174,757	221,411
Total Deferred Inflows of Resources	685,019	366,663
<b>Net Position</b>		
Net Investment in Capital Assets	696,651	727,569
Restricted for Grants	54,759	-
Unrestricted	520,286	467,571
Total Net Position	\$ 1,271,796	\$ 1,195,140

Total assets were \$3,084,371, while total liabilities were \$1,976,663. Cash and cash equivalents were \$1,943,796 while receivables and other current assets were \$342,919.

**LAKE ERIE INTERNATIONAL 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 2020, 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**

	2020	2019
<b>Operating Revenue</b>		
State Aid	\$2,114,775	\$ 2,355,993
Casino Aid	12,722	13,605
Facilities Aid	53,963	45,136
Rental Income	120,000	120,000
<b>Non-Operating Revenue</b>		
Grants	386,868	290,843
Miscellaneous	8,198	12,722
Interest Income	3,178	2,703
Total Revenues	2,699,704	2,841,002
<b>Operating Expense</b>		
Salaries	1,043,701	949,302
Benefits	354,149	321,443
Change in Net Pension and OPEB Liability	291,334	(3,832)
Purchased Services	773,787	1099712
Supplies	88,072	116,001
Depreciation	32,360	29,872
Other Operating Expenses	36,291	81,316
<b>Non-Operating Expenses</b>		
Loss on Disposition of Asset	-	20,061
Interest and Fiscal Charges	3,354	1,155
Total Expenses	2,623,048	2,615,030
Change in Net Position	\$ 76,656	\$ 225,972

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In previous years, 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.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/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/asset. 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/asset 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.

:

**LAKE ERIE INTERNATIONAL 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 forecast that is reviewed periodically by the Board of Directors. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

**Debt**

At June 30, 2020, the School had no long term debt.

**Capital Assets**

At the end of fiscal year 2020 the School had \$33,366 invested in equipment.

(Table 3)  
**Capital Assets (Net of Depreciation)**

	<u>2020</u>	<u>2019</u>
Land	\$ 191,500	\$ 191,500
Buildings	481,481	502,193
Furniture, Fixtures and Equipment	<u>33,366</u>	<u>33,876</u>
Total	<u>\$ 706,347</u>	<u>\$ 727,569</u>

For more information on capital assets, see Note 6 in the notes to the basic financial statements.

**Current Financial Issues**

The Lake Erie International High School received revenue for 224 students in 2020 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 \$9,681 in fiscal year 2020. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage as its sponsor. State law allows sponsors to assess the schools up to three percent (3%) of State revenues as an oversight fee. In June 2015, the School extended its contract with SAO through June 30, 2019. SAO was paid three percent (3%) of state foundation funds received by the School from the State of Ohio. In June 2018, 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, 2021. The School may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1<sup>st</sup> of the termination year.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

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

**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 Lake Erie International High School, 11650 Detroit Avenue, Cleveland, Ohio 44102 or e-mail at [holtbiz.consult@gmail.com](mailto:holtbiz.consult@gmail.com).

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$1,943,796
Retirement Receivable	2,485
State Funding Receivable	222,907
Receivable from School	96,900
Grants Receivable	11,512
<b>Total Current Assets</b>	<u>2,277,600</u>

Noncurrent Assets

Leasehold Deposits	11,600
Net OPEB Asset	88,824
Non-Depreciable Capital Assets	191,500
Depreciable Capital Assets, net	514,847
<b>Total Non-Current Assets</b>	<u>806,771</u>

<b>Total Assets</b>	<u>3,084,371</u>
---------------------	------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Requirements	689,660
OPEB	159,447
<b>Total Deferred Outflows of Resources</b>	<u>849,107</u>

**LIABILITIES**

Current Liabilities

Accounts Payable	62,663
Grants Funding Payable	85,910
Sponsor Fee Payable	6,301
Capital Leases-Current due	1,757
<b>Total Current Liabilities</b>	<u>156,631</u>

Long-Term Liabilities:

Capital Leases-Net of Current Portion	7,939
Net Pension Liability	1,639,274
Net OPEB Liability	172,819
<b>Total Long Term Liabilities</b>	<u>1,820,032</u>

<b>Total Liabilities</b>	<u>1,976,663</u>
--------------------------	------------------

**DEFERRED INFLOWS OF RESOURCES**

Pension Requirements	510,262
OPEB	174,757
<b>Total Deferred Inflows of Resources</b>	<u>685,019</u>

**NET POSITION**

Net Investment in Capital Assets	696,651
Restricted for Grants	54,759
Unrestricted	520,386
<b>Total Net Position</b>	<u>\$1,271,796</u>

See accompanying notes to the basic financial statements

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>OPERATING REVENUES</b>	
State Aid	\$ 2,114,775
Casino Aid	12,722
Facilities Aid	53,963
Rental Income	120,000
<b>Total Operating Revenues</b>	<u>2,301,460</u>
 <b>OPERATING EXPENSES</b>	
Salaries	1,043,701
Benefits	354,149
Change in Net Pension and OPEB Liability	291,334
Purchased Services	773,787
Supplies	88,072
Depreciation	32,360
Other Operating Expenses	36,291
<b>Total Operating Expenses</b>	<u>2,619,694</u>
 <b>Operating Loss</b>	 <u>(318,234)</u>
 <b>NON-OPERATING REVENUE/(EXPENSES)</b>	
Grants	386,868
Interest and Fiscal Charges	(3,354)
Miscellaneous	8,198
Interest Income	3,178
<b>Total Non-Operating Revenue</b>	<u>394,890</u>
 <b>Change in Net Position</b>	 76,656
 <b>Net Position Beginning of Year</b>	 <u>1,195,140</u>
 <b>Net Position End of Year</b>	 <u><u>\$ 1,271,796</u></u>

See accompanying notes to the basic financial statements



**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State of Ohio	\$ 2,091,612
Cash Payments to Employees for Services	(1,043,701)
Cash Payments for Employee Benefits	(313,419)
Cash Payments for Goods and Services	(1,129,933)
Other Cash Payments	(167,256)

Net Cash Used For Operating Activities	<u>(228,185)</u>
--	------------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Miscellaneous Cash Receipts	8,198
Cash Received from Grant Programs	467,777

Net Cash Provided By Noncapital Financing Activities	<u>475,975</u>
--	----------------

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Cash Payments for Interest and Fiscal Charges	(3,354)
Cash Payments for Principal on Capital Lease	(1,441)

Net Cash Provided By Capital Financing Activities	<u>(4,795)</u>
---	----------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest on Investments	3,178
--	-------

Net Increase in Cash and Cash Equivalents	246,173
---	---------

Cash and Cash Equivalents Beginning of Year	<u>1,697,623</u>
---	------------------

Cash and Cash Equivalents End of Year	<u>\$ 1,943,796</u>
---------------------------------------	---------------------

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (318,234)
----------------	--------------

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Depreciation	32,360
--------------	--------

Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:

Receivable from School	(76,900)
State Funding Receivable	(209,848)
Accounts Payable	12,373
Sponsor Fee Payable	6,301
Retirement Payable	34,429
Net OPEB Asset	42,858
Net Pension Liability	(453,661)
Deferred Outflows-Pension	380,381
Deferred Inflows-Pension	365,010
Net OPEB Liability	42,348
Deferred Outflows-OPEB	(38,948)
Deferred Inflows-OPEB	(46,654)

Net Cash Provided By Operating Activities	<u>\$ (228,185)</u>
---	---------------------

See accompanying notes to the basic financial statements

**This page intentionally left blank**

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Lake Erie International High School (the School) is a 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 May 16, 2000 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 a sponsor, Saint Aloysius Orphanage (Sponsor), to operate for a period from July 1, 2005 through June 30, 2011. In June 2011, the School extended its contract with SAO through June 30, 2013. In July 1, 2013, the School renewed its contract through June 30, 2019. Effective July 1, 2018, the School renewed its contract through June 30, 2021.

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 January 2003 and owns one instructional/support facility. The facility is staffed with teaching personnel who provide services to 224 students. As of June 30, 2020, five Board members also sit on the Board of West Preparatory Academy in the City of Cleveland.

**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.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

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.

**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 outflows of resources, liabilities, and deferred inflows 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 2020. 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, a money market account, and STAR Ohio. 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 2020, 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 2020, 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 \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Assets. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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 2020 school year totaled \$2,568,328.

**F. Capital Assets and Depreciation**

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

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation, at \$706,347. Depreciation is computed by the straight-line method over thirty-nine years for Buildings, and over five years for Computers and Equipment.

**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 outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities 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 represent 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 are reported as restricted when there are limitations imposed on their 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 are available.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, Facilities 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.

**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 8 and 9.

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 8 and 9).

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all School deposits was \$1,888,334 and its bank balance was \$1,913,495. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, \$1,413,218 of the School's bank balance was exposed to custodial risk as discussed below. \$500,277 of the bank balance was covered by the Federal Deposit Insurance Corporation.

**B. Investments**

As of June 30, 2020, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>
STAROhio	\$55,462	<u>6 months or less</u> \$55,462

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (continued)**

*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 fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2020, is 49 days.

*Credit Risk:* The School's investments at June 30, 2020 in STAROhio 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, 2020:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Percent to Total</u>
STAROhio	\$55,462	100.00

**4. RECEIVABLES**

The School has recorded "Grants Receivable" in the amount of \$11,512 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2020. The School also has \$222,907 recorded under "State Funding Receivable" related to underpayments on the State Foundation. The School has recorded "Receivable from School" in the amount of \$96,900 for rent due but unpaid at June 30, 2020. "Retirement System Receivable" in the amount of \$2,485 for amounts due from the Pension Systems at June 30, 2020.

**5. PAYABLE**

Accounts Payable consists of obligations totaling \$62,663 at June 30, 2020, incurred during the normal course of conducting operations. Additionally, the School has recorded "Grants Funding Payable" to WHLS, LLC in the amount of \$85,910 for 100 percent of any State and Federal monies uncollected or unpaid as of June 30, 2013, as the School and the management company reconcile outstanding balances.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**6. CAPITAL ASSETS AND DEPRECIATION**

For the fiscal year ended June 30, 2020, the Schools' capital assets consisted of the following:

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/20</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 191,500	\$ -	\$ -	\$ 191,500
<b>Capital Assets Being Depreciated</b>				
Buildings	498,377	-	-	498,377
Improvements	25,787	-	-	25,787
Computers and Equipment	40,348	11,138	-	51,486
Vehicles	25,775	-	-	25,775
<b>Total Capital Assets Being Depreciated</b>	<u>590,287</u>	<u>11,138</u>	<u>-</u>	<u>601,425</u>
<b>Less Accumulated Depreciation</b>				
Buildings	(18,103)	(12,460)	-	(30,563)
Improvements	(3,868)	(8,252)	-	(12,120)
Computers and Equipment	(20,647)	(8,679)	-	(29,326)
Vehicles	(11,600)	(2,969)	-	(14,569)
<b>Total Accumulated Depreciation</b>	<u>(54,218)</u>	<u>(32,360)</u>	<u>-</u>	<u>(86,578)</u>
<b>Net Total Capital Assets</b>	<u>\$ 727,569</u>	<u>\$ (21,222)</u>	<u>\$ -</u>	<u>\$ 706,347</u>

**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 2020, 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

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.

**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, 2020.



**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**7. RISK MANAGEMENT (continued)**

**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. 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.

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 9 for the required OPEB disclosures.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

***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 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire 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; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

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 0 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, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School’s contractually required contribution to SERS was \$51,426 for fiscal year 2020.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

***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](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. 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 in 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan 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 after termination of employment at age 50 or later.

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

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$94,135 for fiscal year 2020.

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

The net pension liability was measured as of June 30, 2019, 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 employer allocation percentage 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00508240%	0.00819482%	
Proportion of the net pension liability current measurement date	<u>0.00757730%</u>	<u>0.00536262%</u>	
Change in proportionate share	<u>0.00249490%</u>	<u>-0.00283220%</u>	
Proportionate share of the net pension liability	\$ 453,363	\$ 1,185,911	\$ 1,639,274
Pension expense	\$ 148,262	\$ 289,029	\$ 437,291

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, 2020 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 11,495	\$ 9,656	\$ 21,151
Changes of assumptions	-	139,308	139,308
Changes in proportionate share and difference between School contributions and proportionate share of contributions	93,291	290,349	383,640
Contributions subsequent to the measurement date	<u>51,426</u>	<u>94,135</u>	<u>145,561</u>
Total deferred outflows of resources	<u>\$ 156,212</u>	<u>\$ 533,448</u>	<u>\$ 689,660</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 5,133	\$ 5,133
Net difference between projected and actual earnings on pension plan investments	5,818	57,962	63,780
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>6,975</u>	<u>434,374</u>	<u>441,349</u>
Total deferred inflows of resources	<u>\$ 12,793</u>	<u>\$ 497,469</u>	<u>\$ 510,262</u>

\$145,561 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 72,163	\$ 99,463	\$ 171,626
2022	16,916	(1,970)	14,946
2023	(387)	(54,086)	(54,473)
2024	<u>3,300</u>	<u>(101,564)</u>	<u>(98,264)</u>
Total	<u>\$ 91,992</u>	<u>\$ (58,157)</u>	<u>\$ 33,835</u>

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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

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 Pension Plan 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-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 pension plan 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	\$ 635,324	\$ 453,363	\$ 300,766

**Actuarial Assumptions – STRS**

Key methods and assumptions are used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019 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
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

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

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for 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 Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*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 pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School's proportionate share of the net pension liability as of June 30, 2019, 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:



**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 1,733,076	\$ 1,185,911	\$ 722,707

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS**

See Note 8 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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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 2020, this amount was \$19,600. 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 2020, the School's surcharge obligation was \$375, which is reported as an account payable.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB asset/liability was measured as of June 30, 2019, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB asset/liability 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.00470300%	0.00819500%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00687200%</u>	<u>0.00536300%</u>	
Change in proportionate share	<u>0.00216900%</u>	<u>-0.00283200%</u>	
Proportionate share of the net OPEB liability	\$ 172,819	\$ -	\$ 172,819
Proportionate share of the net OPEB asset	\$ -	\$ (88,824)	\$ (88,824)
OPEB expense	\$ 16,097	\$ (16,118)	\$ (21)

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 2,537	\$ 8,053	\$ 10,590
Net difference between projected and actual earnings on pension plan investments	415	-	415
Changes of assumptions	12,623	1,867	14,490
Difference between employer contributions and proportionate share of contributions/change in proportionate share	67,845	65,732	133,577
Contributions subsequent to the measurement date	<u>375</u>	<u>-</u>	<u>375</u>
Total deferred outflows of resources	<u>\$ 83,795</u>	<u>\$ 75,652</u>	<u>\$ 159,447</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 37,967	\$ 4,519	\$ 42,486
Net difference between projected and actual earnings on pension plan investments	-	5,579	5,579
Changes of assumptions	9,684	97,386	107,070
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>3,305</u>	<u>16,317</u>	<u>19,622</u>
Total deferred inflows of resources	<u>\$ 50,956</u>	<u>\$ 123,801</u>	<u>\$ 174,757</u>

\$375 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other 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:			
2021	\$ (107)	\$ (10,132)	\$ (10,239)
2022	8,017	(10,132)	(2,115)
2023	8,139	(7,896)	243
2024	8,119	(7,112)	1,007
2025	6,040	(10,405)	(4,365)
Thereafter	<u>2,256</u>	<u>(2,464)</u>	<u>(208)</u>
Total	<u>\$ 32,464</u>	<u>\$ (48,141)</u>	<u>\$ (15,677)</u>

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. 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, 2019, 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	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 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.

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

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 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, 2025. 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 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. 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 (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.00 percent decreasing to 3.75 percent) and one percent 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	\$ 209,766	\$ 172,819	\$ 143,437
	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 138,461	\$ 172,819	\$ 218,398

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, 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	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 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, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

In 2019, non-Medicare retirees receive a subsidy of 1.944% per year of service to a maximum of 30 years, and Medicare AMA retirees receive a subsidy of 2.1% per year of service to a maximum of 30 years. In 2020, non-Medicare retirees receive a subsidy of 1.984% per year of service to a maximum of 30 years.

Beginning in 2021, the STRS Ohio subsidy dollar amount for non-Medicare plans will be frozen at the current 2020 levels. Annual increases in the STRS Ohio subsidy dollar amount for Medicare plans will be based on the annual percentage increase in the Aetna Medicare Advantage Plan, limited at 6%. For those who retire on or after August 2023, the first five years of service do not count towards the subsidy, so subsidy percentages are shifted five years, and those with less than 20 years of service receive no subsidy. 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 real rate of return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*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 asset was 7.45 percent as of June 30, 2019. 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 asset as of June 30, 2019.

**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, 2019, 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, 2019, 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.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB (asset)	\$ (75,794)	\$ (88,824)	\$ (99,780)

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB (asset)	\$ (100,723)	\$ (88,824)	\$ (74,252)

**10. 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, 2020, 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 2020 and determined the School was owed \$222,907. 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 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contract with their Sponsor and Management Company requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2020 financial statements, related to additional reconciliation necessary with this contract, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.



**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)**

**10. CONTINGENCIES (continued)**

**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.

**11. FEDERAL TAX STATUS**

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

**12. SPONSORSHIP FEES**

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage as its sponsor. State law allows sponsors to assess the schools up to three percent (3%) of State revenues as an oversight fee. In June 2015, the School extended its contract with SAO through June 30, 2019. SAO was paid three percent (3%) of state foundation funds received by the School from the State of Ohio. In June 2018, 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, 2021. 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. At June 30, 2020, total sponsorship fees are \$70,018.

**13. DEPOSITS AND OPERATING LEASES – LESSEE DISCLOSURE**

During fiscal year 2013, the School entered into a new lease agreement with BAMF, LLC, an Ohio limited liability company, at a new location known as 11650 Detroit Avenue, Cleveland, Ohio. The term of the lease is eight years with a monthly payment of \$11,600 effective August 1, 2016. The School paid a security deposit of \$11,600 to secure the facility.

**14. 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 of \$11,366. The School is continuing to lease the same equipment on a month to month basis while it negotiates a new capital equipment lease.

**15. WEST PREPARATORY ACADEMY LEASE**

On February 5<sup>th</sup>, 2018, the School Purchased the building from West Preparatory Academy for \$730,000. The School and West Prep entered into a lease agreement ending June 30, 2020 where West Prep pays the School \$10,000 per month. During the current year, the School did not receive the entire rent for the year and a receivable has been recorded on the financials.

**16. SUSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the 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.

**Lake Erie International High School**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net Pension Liability*  
*Last Seven Fiscal Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>School Employees Retirement System (SERS)</b>							
School's Proportion of the Net Pension Liability	0.00757730%	0.00508240%	0.00410840%	0.00465970%	0.00373640%	0.00353800%	0.00353800%
School's Proportionate Share of the Net Pension Liability	\$ 453,363	\$ 291,078	\$ 245,468	\$ 341,047	\$ 213,203	\$ 179,056	\$ 210,394
School's Covered Payroll	\$ 269,719	\$ 171,800	\$ 132,093	\$ 138,857	\$ 105,000	\$ 99,185	\$ 50,484
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.09%	169.43%	185.83%	245.61%	203.05%	180.53%	416.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<b>State Teachers Retirement System (STRS)</b>							
School's Proportion of the Net Pension Liability	0.00536262%	0.00819482%	0.00649024%	0.00599571%	0.00523815%	0.00385626%	0.00385626%
School's Proportionate Share of the Net Pension Liability	\$ 1,185,911	\$ 1,801,857	\$ 1,541,770	\$ 2,065,633	\$ 1,486,966	\$ 937,976	\$ 1,117,311
School's Covered Payroll	\$ 629,593	\$ 931,614	\$ 749,207	\$ 637,307	\$ 703,243	\$ 267,946	\$ 389,469
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.36%	193.41%	205.79%	324.12%	211.44%	350.06%	286.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	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

**Lake Erie International High School**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)*  
*Last Four Fiscal Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>School Employees Retirement System (SERS)</b>				
School's Proportion of the Net OPEB Liability	0.006872%	0.00470290%	0.00373460%	0.00422397%
School's Proportionate Share of the Net OPEB Liability	\$ 172,819	\$ 130,471	\$ 100,227	\$ 120,399
School's Covered Payroll	\$ 269,719	\$ 171,800	\$ 132,093	\$ 138,857
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	64.07%	75.94%	75.88%	86.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<b>State Teachers Retirement System (STRS)</b>				
School's Proportion of the Net OPEB Liability/(Asset)	0.005363%	0.00819482%	0.00649024%	0.00599571%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (88,824)	\$ (131,682)	\$ 253,225	\$ 320,653
School's Covered Payroll	\$ 629,593	\$ 931,614	\$ 749,207	\$ 637,307
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.11%	-14.13%	33.80%	50.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(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

**Lake Erie International High School**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Contributions - Pension*  
*Last Ten Fiscal Years*

	<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>	<u>2011</u>
<b>School Employees Retirement System (SERS)</b>										
Contractually Required Contribution	\$ 51,426	\$ 36,412	\$ 23,193	\$ 18,493	\$ 19,440	\$ 13,839	\$ 13,747	\$ 6,987	\$ 5,451	\$ 7,262
Contributions in Relation to the Contractually Required Contribution	<u>(51,426)</u>	<u>(36,412)</u>	<u>(23,193)</u>	<u>(18,493)</u>	<u>(19,440)</u>	<u>(13,839)</u>	<u>(13,747)</u>	<u>(6,987)</u>	<u>(5,451)</u>	<u>(7,262)</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	\$ 367,329	\$ 269,719	\$ 171,800	\$ 132,093	\$ 138,857	\$ 105,000	\$ 99,185	\$ 50,484	\$ 40,528	\$ 57,772
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<b>State Teachers Retirement System (STRS)</b>										
Contractually Required Contribution	\$ 94,135	\$ 88,143	\$ 130,426	\$ 104,889	\$ 89,223	\$ 98,454	\$ 34,833	\$ 50,631	\$ 63,156	\$ 91,845
Contributions in Relation to the Contractually Required Contribution	<u>(94,135)</u>	<u>(88,143)</u>	<u>(130,426)</u>	<u>(104,889)</u>	<u>(89,223)</u>	<u>(98,454)</u>	<u>(34,833)</u>	<u>(50,631)</u>	<u>(63,156)</u>	<u>(91,845)</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	\$ 672,393	\$ 629,593	\$ 931,614	\$ 749,207	\$ 637,307	\$ 703,243	\$ 267,946	\$ 389,469	\$ 485,815	\$ 706,500
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**Lake Erie International High School**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<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>	<u>2011</u>
<b>School Employees Retirement System (SERS)</b>										
Contractually Required Contribution (1)	\$ 375	\$ 1,358	\$ 529	\$ 26	\$ 0	\$ 849	\$ 699	\$ 375	\$ 304	\$ 439
Contributions in Relation to the Contractually Required Contribution	<u>(375)</u>	<u>(1,358)</u>	<u>(529)</u>	<u>(26)</u>	<u>0</u>	<u>(849)</u>	<u>(699)</u>	<u>(375)</u>	<u>(304)</u>	<u>(439)</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	\$ 367,329	\$ 269,719	\$ 171,800	\$ 132,093	\$ 138,857	\$ 105,000	\$ 99,185	\$ 50,484	\$ 40,528	\$ 57,772
OPEB Contributions as a Percentage of Covered Payroll (1)	0.10%	0.50%	0.31%	0.02%	0.00%	0.81%	0.70%	0.74%	0.75%	0.76%
<b>State Teachers Retirement System (STRS)</b>										
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,679	\$ 3,895	\$ 4,858	\$ 7,065
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>(2,679)</u>	<u>(3,895)</u>	<u>(4,858)</u>	<u>(7,065)</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	\$ 672,393	\$ 629,593	\$ 931,614	\$ 749,207	\$ 637,307	\$ 703,243	\$ 267,946	\$ 389,469	\$ 485,815	\$ 706,500
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

(1) Includes surcharge

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

**LAKE ERIE INTERNATIONAL HIGH SCHOOL  
CUYAHOGA COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**This page intentionally left blank.**



***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

---

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*

Lake Erie International High School  
Cuyahoga County  
11650 Detroit Avenue  
Cleveland, Ohio 44124

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 Lake Erie International High School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 12, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

***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*.


We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated January 12, 2021.

***Entity's Response to Finding***

The School's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School's response and, accordingly, we express no opinion on it.

***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.***  
January 12, 2021

*Lake Erie International High School*  
Cuyahoga County  
Schedule of Findings  
June 30, 2020

<b>Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
--

**Finding Number: 2020-001 – Material Weakness**

**Internal Control Over Financial Reporting**

During testing of pension and OPEB accruals, we noted the School utilized the incorrect changes in proportionate share amounts for the pension and OPEB. This caused the calculation of deferred outflows of resources related to pension to be understated by \$56,225, the deferred inflows of resources related to pension to be understated by \$4,502, the deferred outflows of resources related to OPEB to be understated by \$16,189, the deferred inflows of resources related to OPEB to be overstated by \$14,396, and the pension/OPEB expense to be overstated by \$82,308.

We recommend the Treasurer work with the contracted accountant completing the calculations to ensure they are correct and that the financial statements are thoroughly reviewed by the Treasurer prior to submitting them for audit.

**Management’s Response:**

See Corrective Action Plan.

*Lake Erie International High School*  
*Cuyahoga County*  
 Corrective Action Plan (Prepared by Management)  
 June 30, 2020

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001	Management understands the miscalculation and will work with the auditors on the next audit to correct. The correction was made to the financial statements to assist with next years' beginning balances.	June 30, 2021	Darlene Holt, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**LIFE SKILLS-LAKE ERIE INTERNATIONAL 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 3/18/2021**

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

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