



OHIO AUDITOR OF STATE
KEITH FABER



**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position.....	12
Statement of Cash Flows	13
Notes to the Financial Statements	15
Required Supplementary Information:	
Schedule of the SCM's Proportionate Share of the Net Pension Liability	45
Schedule of the SCM's Contributions - Pension	46
Schedule of the SCM's Proportionate Share of the Net OPEB Liability	49
Schedule of the SCM's Contributions - OPEB	50
Notes to the Required Supplementary Information.....	52
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55

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INDEPENDENT AUDITOR'S REPORT

Constellation Schools: Stockyard Community Middle
Cuyahoga County
3200 West 65th Street
Cleveland, Ohio 44102

5730 Broadview Rd
Parma, OH 44134

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2018, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II to the financial statements, during the year ended June 30, 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

April 3, 2019

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

The discussion and analysis of Constellation Schools: Stockyard Community Middle (SCM) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the financial performance of SCM as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of SCM.

Financial Highlights

Key financial highlights for 2018 include the following:

- In 2018 net position increased \$349,087, which represents a 24.4% increase from 2017. Decreases occurred in state foundation revenue and private grants and contributions with increases in state and federal grants. Expenses decreased mainly due to the change in net pension and OPEB liability.
- Total assets and deferred outflows of resources decreased \$93,986, which represents an 18.4% decrease from 2017. Decreases occurred in cash, prepaid expenses due from other governments and deferred outflow of resources with increases in prepaid expense and capital assets.
- Liabilities and deferred inflows of resources decreased \$443,073, which represents a 22.8% decrease from 2017. Increases in payroll payable and lease payable, with decreases in accounts payable, due to other governments and net pension and OPEB liability occurred during the year.
- Operating revenues decreased by \$101,166, which represents a 14.0% decrease from 2017. This is a direct result of reduced state foundation funds and casino tax distributions.
- Expenses decreased by \$796,030 which represents a 62.2% decrease from 2017. Operating increases occurring in salaries and fringe benefits, depreciation, and other expenses, were offset by decreases in purchased services, materials and supplies, capital outlay and change in net pension and OPEB liability.
- Non-operating revenues decreased by \$57,321 which represents a 21.5% decrease from 2017. This decrease is due to decreases in private grants and contributions, partially offset by and state and federal grants funding.

Using this Financial Report

This report consists of four parts: Management Discussion and Analysis, the Financial Statements, Notes to the Financial Statements and Required Supplemental Information. The Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

Statement of Net Position

The Statement of Net Position looks at how well SCM has performed financially through June 30, 2018. This statement includes all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary Statement of Net Position for fiscal years ended June 30, 2018 and 2017 for SCM.

	<u>2018</u>	<u>Restated 2017</u>	<u>Change</u>	<u>%</u>
Assets and Deferred Outflows of Resources				
Cash	\$40,298	\$107,308	(\$67,010)	-62.4%
Other Current Assets	25,736	33,648	(7,912)	-23.5%
Non-Current Assets	3,561	3,561	0	0.0%
Capital Assets, Net	46,434	44,532	1,902	4.3%
Deferred Outflow of Resources	300,321	321,287	(20,966)	-6.5%
Total Assets and Deferred Outflow of Resources	<u>416,350</u>	<u>510,336</u>	<u>(93,986)</u>	<u>-18.4%</u>
Liabilities and Deferred Inflows of Resources				
Current Liabilities	41,227	26,532	14,695	55.4%
Long-Term Liabilities	1,080,711	1,771,502	(690,791)	-39.0%
Deferred Inflow of Resources	377,154	144,130	233,023	161.7%
Total Liabilities and Deferred Inflow of Resources	<u>1,499,092</u>	<u>1,942,165</u>	<u>(443,073)</u>	<u>-22.8%</u>
Net Position				
Net Investment in Capital Assets	31,609	44,532	(12,903)	-29.0%
Unrestricted	<u>(1,114,351)</u>	<u>(1,476,361)</u>	<u>362,010</u>	<u>24.5%</u>
Total Net Position	<u>(\$1,082,742)</u>	<u>(\$1,431,829)</u>	<u>\$349,087</u>	<u>24.4%</u>

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2018.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for SCM for fiscal years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>Restated 2017</u>	<u>Change</u>	<u>%</u>
Revenues				
Foundation and Poverty Based Assistance Revenues	\$582,689	\$688,165	(\$105,476)	-15.3%
Casino Tax Distributions	3,698	3,975	(277)	-7.0%
Other Operating Revenues	37,488	32,901	4,587	13.9%
Total Operating Revenues	<u>623,875</u>	<u>725,041</u>	<u>(101,166)</u>	<u>-14.0%</u>
Private Grants and Contributions	20,050	112,500	(92,450)	-82.2%
Federal and State Grants	189,594	154,465	35,129	22.7%
Total Non-Operating Revenues	<u>209,644</u>	<u>266,965</u>	<u>(57,321)</u>	<u>-21.5%</u>
Total Revenues	<u>833,519</u>	<u>992,006</u>	<u>(158,487)</u>	<u>-16.0%</u>
Expenses				
Salaries	319,652	312,382	7,270	2.3%
Fringe Benefits	99,906	91,732	8,174	8.9%
Change in Net Pension and OPEB Liability	(447,530)	339,383	(786,913)	-231.9%
Purchased Services	445,914	462,393	(16,479)	-3.6%
Materials and Supplies	29,959	36,257	(6,298)	-17.4%
Capital Outlay	1,865	11,801	(9,936)	-84.2%
Depreciation	14,598	10,220	4,378	42.8%
Other Expenses	20,068	16,294	3,774	23.2%
Total Expenses	<u>484,432</u>	<u>1,280,462</u>	<u>(796,030)</u>	<u>-62.2%</u>
Changes in Net Position	<u>349,087</u>	<u>(288,456)</u>	<u>637,543</u>	<u>221.0%</u>
Net Position: Beginning of the Year (Restated)	<u>(1,431,829)</u>	<u>(1,143,373)</u>	<u>(288,456)</u>	<u>-25.2%</u>
Net Position: End of Year	<u>(\$1,082,742)</u>	<u>(\$1,431,829)</u>	<u>\$349,087</u>	<u>24.4%</u>

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

Overall, revenues decreased by \$158,487 from 2017 to 2018. The most significant changes in revenues from 2017 to 2018 are decreases of \$105,476 in state Foundation and Poverty Based Assistance and \$92,450 in private grants and contributions, Increases occurred in federal and state grants totaling \$35,129. Minor changes occurred in field trip collections, materials fee collections casino tax distributions and other materials fees collections.

Expenses decreased \$796,030 from 2017 with the changes in net pension liability and OPEB decreasing \$786,913. Salaries and Fringe Benefits increased \$15,444 due to changes in staff personnel and routine annual increases. The change in Net Pension Liability and OPEB expense is due to recognition of pension liabilities per GASB 68 and 75. Purchased services decreased by \$16,479 due to a combination of changes in student services, technology integration and support, professional development and facility costs. Materials and Supplies decreased \$6,298 due to decreases in online instruction programs, instructional supplies and software with an increase in testing materials and workbooks. Capital Outlay decreased \$9,936 due to purchases of instructional technology which were capitalized. Depreciation increased by \$4,378 and Other Expenses increased \$3,774 due to increases in other academic expenses.

Capital Assets

As of June 30, 2018, SCM had \$46,434 invested in building improvements, technology and software, and furniture and equipment, net of depreciation. This is a \$1,902 decrease from June 30, 2017.

The following schedule provides a summary of Capital Assets as of June 30, 2018 and 2017 for SCM.

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
Capital Assets (net of depreciation)				
Building Improvements	\$3,921	\$5,881	(\$1,960)	-33.3%
Technology and Software	14,675	3,523	11,152	317.1%
Furniture and Equipment	<u>27,838</u>	<u>35,128</u>	<u>(7,290)</u>	<u>-20.7%</u>
Net Capital Assets	<u>\$46,434</u>	<u>\$44,532</u>	<u>\$1,902</u>	<u>4.3%</u>

For more information on capital assets see the Notes to the Financial Statements.

Capital Equipment Financing

In September 2017, SCM entered into a four-year lease for technology equipment with Winthrop Leasing. The lease values, which totaled \$16,500, have been recorded as capital equipment to recognize the assets, and as leases payable to recognize the debt. The outstanding principal value as of June 30, 2018 on the loan payable is \$14,825.

For more information on loans payable see the Notes to the Financial Statements.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

Net Pension and Other Post-Employment Benefits (OPEB) Liabilities

The net pension and OPEB liability is the largest single liability reported by SCM at June 30, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, SCM 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 SCM's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal SCM'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, SCM 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,

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, SCM'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, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, SCM is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB. This implementation also had the effect of restating net position at June 30, 2017, from \$(1,119,214) to \$(1,431,829).

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$258 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$43,771. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$	484,432
Negative OPEB Expense under GASB 75		43,771
2018 Contractually Required Contribution		422
Adjusted 2018 Program Expenses		<u>528,625</u>
Total 2017 Program Expenses under GASB 45		<u>967,847</u>
Decrease in Program Expenses not Related to OPEB	\$	<u>(439,222)</u>

Current Financial Issues

Constellation Schools: Stockyard Community Middle opened in August 2010. The school has grown from 51 students, five teaching staff members and expenses of \$505,021 to a total of 65 students, 8 teaching staff members and expenses of \$484,432. The school serves student in grades seven and eight.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2018

(Unaudited)

The Board of Directors, school management and school staff continue to work diligently to ensure that SCM maintains the highest level of educational services and financial integrity that we have always provided. Our goal continues to be providing a strong educational product for our students and families and to maintain the reputation we have developed during our previous years.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for SCM and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Thomas F. Babb, M.A., CPA, by mail at Constellation Schools LLC, 5730 Broadview Road, Parma, Ohio 44134; by e-mail at babb.thomas@constellationschools.com; by calling 216.712.7600; or by faxing 216.712.7601.

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**Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Statement of Net Position
As of June 30, 2018**

Assets:

Current Assets:

Cash	\$40,298
Prepaid Expenses	8,678
Due from Other Governments	17,058
<i>Total Current Assets</i>	66,034

Non-Current Assets:

Security Deposit	3,561
Capital Assets (Net of Accumulated Depreciation)	46,434
<i>Total Non-Current Assets</i>	49,995
<i>Total Assets</i>	116,029

Deferred Outflow of Resources:

Pension and OPEB (STRS & SERS)	300,321
<i>Total Deferred Outflow of Resources</i>	300,321
<i>Total Assets and Deferred Outflow of Resources</i>	416,350

Liabilities:

Current Liabilities:

Accounts Payable	3,400
Payroll Payable	28,051
Interest Payable	33
Unearned Revenue	990
Due to Other Governments	4,656
Equipment Capital Lease Payable	4,097
<i>Total Current Liabilities</i>	41,227

Long Term Liabilities:

Equipment Capital Lease Payable	10,728
Net Pension and OPEB Liability	1,069,983
<i>Total Long Term Liabilities</i>	1,080,711
<i>Total Liabilities</i>	1,121,938

Deferred Inflow of Resources:

Pension and OPEB (STRS & SERS)	377,154
<i>Total Deferred Inflow of Resources</i>	377,154
<i>Total Liabilities and Deferred Inflow of Resources</i>	1,499,092

Net Position:

Net Investment in Capital Assets	31,609
Unrestricted	(1,114,351)
<i>Total Net Position</i>	(\$1,082,742)

The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018**

Operating Revenues:

Foundation and Poverty Based Assistance Revenues	\$582,689
Casino Tax Distributions	3,698
Other Operating Revenues	<u>37,488</u>

<i>Total Operating Revenues</i>	<u>623,875</u>
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Operating Expenses:

Salaries	319,652
Fringe Benefits	99,906
Change in Net Pension and OPEB Liability	(447,530)
Purchased Services	445,914
Materials and Supplies	29,959
Capital Outlay	1,865
Depreciation	14,598
Other Operating Expenses	<u>19,861</u>

<i>Total Operating Expenses</i>	<u>484,225</u>
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Operating Income	<u>139,650</u>
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Non-Operating Revenues & (Expenses):

Interest Expense	(207)
Private Grants and Contributions	20,050
Federal and State Grants	<u>189,594</u>

<i>Total Non-Operating Revenues & (Expenses)</i>	<u>209,437</u>
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Change in Net Position	<u>349,087</u>
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Net Position at Beginning of the Year – Restated (See Note 11.3)	<u>(1,431,829)</u>
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Net Position at End of Year	<u><u>(\$1,082,742)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018**

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$586,387
Cash Payments to Suppliers for Goods and Services	(591,636)
Cash Payments to Employees for Services	(308,921)
Other Operating Revenues	<u>34,635</u>
Net Cash Used for Operating Activities	<u>(279,535)</u>

Cash Flows from Noncapital Financing Activities:

Private Grants and Contributions	20,050
Federal and State Grants Received	<u>194,324</u>
Net Cash Provided by Noncapital Financing Activities	<u>214,374</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(16,500)
Lease Proceeds	16,500
Lease Principal Payments	(1,675)
Lease Interest Payments	<u>(174)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,849)</u>
Net Decrease in Cash	(67,010)
Cash at Beginning of Year	<u>107,308</u>
Cash at End of Year	<u><u>\$40,298</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

(continued)

**Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(Continued)**

**Reconciliation of Operating Loss to Net
Cash Provided by Operating Activities:**

Operating Income	\$139,650
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**Adjustments to Reconcile Operating Loss to
Net Cash Provided by Operating Activities:**

Depreciation	14,598
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Changes in Assets, Liabilities, Deferred Inflows of Resources
and Deferred Outflows of Resources:

Decrease in Prepaid Expenses	(660)
Decrease in Due from Other Governments	3,841
Decrease in Deferred Outflows - Pensions and OPEB	20,966
(Decrease) in Accounts Payable	(313)
Increase In Payroll Payable	10,731
(Decrease) in Due to Other Governments	(602)
Increase in Unearned Revenue	750
(Decrease) in Net Pension and OPEB	(701,519)
Increase in Deferred Inflows - Pensions and OPEB	233,023

Total Adjustments	(419,185)
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Net Cash Used by Operating Activities	(\$279,535)
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The accompanying notes to the financial statements are an integral part of this statement.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Description of the School and Reporting Entity

Constellation Schools: Stockyard Community Middle (SCM) is a nonprofit corporation established on December 22, 2008 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under §501(c)(3) of the Internal Revenue Code. On November 1, 2007, SCM was issued a determination letter of tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of SCM. SCM, which is part of Ohio's education program, is independent of any school district. SCM may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of SCM.

SCM was approved for operation as Constellation Schools: Capital Elementary under a contract dated May 13, 2010 between the Governing Authority of SCM and Buckeye Community Hope Foundation (BCHF) through June 30, 2020. Under the terms of the contract BCHF will provide sponsorship services for a fee. See Note XII for further discussion of the sponsor services.

SCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, business and educational management services for the fiscal year. The agreement may be renewed annually. See Note XII for further discussion of this management agreement.

SCM operates under a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls SCM's instructional facility staffed by 8 certificated full time teaching personnel and 1 support staff who provide services to 65 students. During 2018, the board members for SCM also serve as the board for Constellation Schools: Puritas Community Middle, Constellation Schools: Westside Community School of the Arts and Constellation Schools: Collinwood Village Academy.

II. Summary of Significant Accounting Policies

The financial statements of SCM have been prepared in conformity with generally accepted accounting principles (GAAP) 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 SCM's accounting policies are described below.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation

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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment 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 and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. SCM prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which SCM receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when the use is first permitted; matching requirements, in which SCM must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to SCM on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Implementation of New Accounting Principles & Restatement of Net Position

For the fiscal year ended June 30, 2018, SCM has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of SCM.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in SCM's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of SCM.

Net Position, June 30, 2017	\$ (1,119,214)
Adjustments:	
Net OPEB Liability	(312,873)
Deferred Outflow-Payments Subsequent to Measurement Date	258
Restated Net Position, July 1, 2017	\$ (1,431,829)

Other than employer contributions subsequent to the measurement date, SCM made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. Cash

All monies received by SCM are deposited in demand deposit accounts.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

5. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391 SCM prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. SCM will from time to time adopt budget revisions as necessary.

6. Due From Other Governments

Monies due SCM for the year ended June 30, 2018 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. All items with a useful life of one year or greater and a value of \$2,500 or more are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation of building improvements, technology and software, and furniture and equipment is computed using the straight line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets or less. Estimated useful lives are as follows:

Capital Asset Classification	Years
Building Improvements	Up to 5
Technology and Software	3 to 5
Furniture and Equipment	10

8. Intergovernmental Revenues

SCM currently participates in the State Foundation Program, the State Poverty Based Assistance Program and Casino Tax Distribution. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. SCM also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program and various

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

State Grant Programs. State and Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above named programs for the 2018 school year totaled \$775,981.

9. Private Grants and Contributions

SCM may receive grants and contributions from private sources to support the school's programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. Constellation Schools, which provides management services to SCM (see Note XII), contributed \$20,000 for general operating to SCM during the year along with another private contribution of \$50.

10. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore, SCM does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to a maximum of one hundred twenty days. SCM will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

11. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

12. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations. However, claims and judgments, compensated absences that will be paid from available funds are reported as a liability in the financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

13. Use of Estimates

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

14. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned revenue for SCM consists of materials fees received in the current year which pertains to the next school year.

15. Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of assets by SCM that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources related to pension and OPEB is described in Note IX and Note X.

A deferred inflow of resources is an acquisition of assets by SCM that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The deferred inflow of resources related to pension and OPEB is described in Note IX and Note X.

16. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

17. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by SCM or through external restrictions imposed by creditors, grantors or laws or

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

**- A Community School -
Cuyahoga County, Ohio**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

regulations of other governments. SCM applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

III. Deposits

At fiscal year end June 30, 2018, the carrying amount of SCM's deposits totaled \$40,298 and its bank balance was \$42,262. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2018, none of the bank balance was exposed to custodial risk as discussed below, while \$42,292 was covered by the Federal Depository Insurance Corporation.

SCM has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPC will collateralize utilizing the specific pledge method at one hundred and five percent.

IV. Capital Assets

A summary of capital assets at June 30, 2018 follows:

	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
Capital Assets Being Depreciated:				
Building Improvements	\$8,821	\$0	\$0	\$8,821
Technology and Software	8,690	16,500	(630)	24,560
Furniture and Equipment	72,902	0	0	72,902
Total Capital Assets Being Depreciated	90,413	16,500	(630)	106,283

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Less Accumulated
Depreciation:

Building Improvements	(2,940)	(1,960)	0	(4,900)
Technology and Software	(5,167)	(5,348)	630	(9,885)
Furniture and Equipment	<u>(37,774)</u>	<u>(7,290)</u>	<u>0</u>	<u>(45,064)</u>
Total Accumulated Depreciation	<u>(45,881)</u>	<u>(14,598)</u>	<u>630</u>	<u>(59,849)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$44,532</u>	<u>\$1,902</u>	<u>\$0</u>	<u>\$46,434</u>

V. Purchased Services

Purchased Services include the following:

Instruction	\$84,109
Pupil Support Services	26,398
Staff Development & Support	78,955
Administrative	70,701
Occupancy Costs	143,768
Food Services	41,436
Student Services	<u>547</u>
 Total Purchased Services	 <u>\$445,914</u>

VI. Capital Equipment Lease Payable

In September 2017, SCM entered into a four-year lease for technology equipment with Winthrop Leasing. This lease meet the criteria of capital leases as defined by accounting standards, which defines a capital lease generally as one which transfers the benefits and risks of ownership of the lessee.

Assets of technology equipment totaling \$16,500 have been capitalized (accumulated depreciation as of June 30, 2018 is \$3,438). This amount represented the actual purchase price of the equipment and is the same as the net present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2018 totaled \$1,675 and interest paid totaled \$174. Future minimum lease payments for principal and interest under the capital lease are as follows:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Year	Principal	Interest	Total
2019	\$4,097	\$342	\$4,439
2020	4,206	234	4,440
2021	4,319	120	4,439
2022	2,203	17	2,220
Total	\$14,825	\$713	\$15,538

VII. Operating Leases

Effective January 1, 2016 SCM moved into the newly constructed addition to the building owned and operated by SCE. Under lease terms approved by the boards of SCM and SCE the monthly rent paid by SCM to SCE is \$10,000. The lease is through the period ending June 30, 2018 but renews automatically for the next fiscal year unless either SCE or SCM indicates their intent to terminate the agreement at least 90 days prior to the end of each annual renewal date. The agreement was renewed for fiscal year 2018. Rents paid during the fiscal year was \$120,000 all of which was paid by June 30, 2018.

VIII. Risk Management

1. Property and Liability Insurance

SCM is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, SCM contracted with Traveler's Property Casualty Company of America for property insurance, The Hanover Insurance Company for liability insurance and errors and omissions insurance and Allamerica Financial Benefit Insurance Company for Automobile insurance.

General property and liability is covered at \$10,000,000 single occurrence limit and \$11,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Employee Crime, School Leaders Errors & Omissions, Sexual Abuse and Misconduct, Electronic Data Processing, Cyber Liability and Business Interruption. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

2. Workers' Compensation

SCM makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. There have been four claims filed by SCM employees with the Ohio Workers' Compensation System between January 1, 2013 and June 30, 2018. The total payments made for this claim have been \$14,607. In the

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

opinion of management, these claims will not have a material adverse effect on the overall financial position of SCM as June 30, 2018.

3. Employee Medical, Dental, Vision and Life Benefits

SCM provides medical, dental, vision and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by SCM for the fiscal year is \$46,254.

IX. Defined Benefit Pension Plans

1. Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

**- A Community School -
Cuyahoga County, Ohio**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments.

2. Plan Description - School Employees Retirement System (SERS)

Plan Description – SCM 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 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.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and SCM 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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

SCM's contractually required contribution to SERS was \$11,404 for fiscal year 2018

3. Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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, 2018, plan members were required to contribute 14 percent of their annual covered salary. SCM was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

SCM's contractually required contribution to STRS was \$45,588 for fiscal year 2018.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. SCM'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:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00362378%	0.00275879%	
Prior Measurement Date	0.00520468%	0.00321959%	
Change in Proportionate Share	-0.00158090%	-0.00046080%	
Proportionate Share of the Net			
Pension Liability	\$ 216,513	\$ 655,357	\$ 871,870
Pension Expense	\$ (37,964)	\$ (308,381)	\$ (346,345)

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 SCM'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, 2018 SCM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 9,319	\$ 25,307	\$ 34,626
Changes of Assumptions	11,197	143,334	154,531
Changes in Proportion and Differences between SCM Contributions and Proportionate Share of Contributions	13,398	34,139	47,537
SCM Contributions Subsequent to the Measurement Date	11,404	45,588	56,992
Total Deferred Outflows of Resources	\$ 45,318	\$ 248,368	\$ 293,686
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 5,282	\$ 5,282
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,029	21,627	22,656
Changes in Proportion and Differences between SCM Contributions and Proportionate Share of Contributions	84,623	187,649	272,272
Total Deferred Inflows of Resources	\$ 85,652	\$ 214,558	\$ 300,210

\$56,992 reported as deferred outflows of resources related to pension resulting from SCM's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (21,502)	\$ (25,840)	\$ (47,342)
2020	(8,839)	3,585	(5,254)
2021	(16,348)	26,140	9,792
2022	(5,049)	(15,663)	(20,712)
	\$ (51,738)	\$ (11,778)	\$ (63,516)

5. 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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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 SCM'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 SCM's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan'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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCM's Proportionate Share of the Net Pension Liability	\$ 300,464	\$ 216,513	\$ 146,187

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected 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	1.00	2.25
Total	<u>100.00 %</u>	

**The target allocation percentage is effective as of July 1, 2017. 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.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. 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, 2017.

Sensitivity of SCM's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents SCM's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what SCM's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
SCM's Proportionate Share of the Net Pension Liability	\$ 939,431	\$ 655,357	\$ 416,066

X. Defined Benefit – Other Post-Employment Benefits (OPEB)

1. Net Other Post-Employment Benefits Liability

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

The net OPEB liability represents SCM's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments.

2. Plan Description - School Employees Retirement System (SERS)

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

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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 2018, .5 percent of covered payroll was made 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 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, SCM's surcharge obligation was \$0.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. SCM contractually required contribution to SERS was \$422 for fiscal year 2018. Of this amount \$0 is reported as an accounts payable.

3. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org 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, 2018, STRS did not allocate any employer contributions to post-employment health care.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. SCM's proportion of the net OPEB liability was based on SCM'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			
Current Measurement Date	0.00337124%	0.00275879%	
Prior Measurement Date	0.00493578%	0.00321959%	
Change in Proportionate Share	<u>-0.00156454%</u>	<u>-0.00046080%</u>	
Proportionate Share of the Net OPEB Liability	\$ 90,475	\$ 107,638	\$ 198,113
OPEB Expense	\$ (7,406)	\$ (36,365)	\$ (43,771)

At June 30, 2018, SCM reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 6,213	\$ 6,213
SCM Contributions Subsequent to the Measurement Date	422	0	422
Total Deferred Outflows of Resources	<u>\$ 422</u>	<u>\$ 6,213</u>	<u>\$ 6,635</u>
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	\$ 239	\$ 4,601	\$ 4,840
Changes of Assumptions	8,585	8,671	17,256
Changes in Proportionate Share and Differences between SCM Contributions and Proportionate Share of Contributions	33,725	21,123	54,848
Total Deferred Inflows of Resources	<u>\$ 42,549</u>	<u>\$ 34,395</u>	<u>\$ 76,944</u>

\$422 reported as deferred outflows of resources related to OPEB resulting from SCM's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ (15,390)	\$ (5,080)	\$ (20,470)
2020	(15,390)	(5,080)	(20,470)
2021	(11,710)	(5,080)	(16,790)
2022	(59)	(5,081)	(5,140)
2023	0	(3,930)	(3,930)
Thereafter	0	(3,931)	(3,931)
	<u>\$ (42,549)</u>	<u>\$ (28,182)</u>	<u>\$ (70,731)</u>

5. 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, 2017, are presented below:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

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

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

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

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:

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of SCM's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
SCMs Proportionate Share of the Net OPEB Liability	\$ 109,260	\$ 90,475	\$ 75,593
	1% Decrease	Current Trend Rate	1% Increase
SCMs Proportionate Share of the Net OPEB Liability	\$ 73,414	\$ 90,475	\$ 113,056

6. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, 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
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

**- A Community School -
Cuyahoga County, Ohio**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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	1.00	2.25
Total	<u>100.00 %</u>	

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

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of SCM Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
SCMs Proportionate Share of the Net OPEB Liability	\$ 144,502	\$ 107,638	\$ 78,503
	1% Decrease	Current Trend Rate	1% Increase
SCMs Proportionate Share of the Net OPEB Liability	\$ 74,782	\$ 107,638	\$ 150,880

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE
- A Community School -
Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

XI. Contingencies

1. Grants

SCM received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of SCM. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of SCM at June 30, 2018.

2. School Foundation

School 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 did not perform such a review on SCM for fiscal year 2018.

As of the date of this report, all ODE adjustments for fiscal year 2018 have been made.

In addition, SCM's contracts with their Sponsor, Buckeye Community Hope Foundation, and their management company, Constellation Schools, require that a portion of their fees be calculated as a percentage of Foundation revenues received by the SCM from the State (See Note XII). A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

XII. Sponsorship and Management Agreements

SCM entered into an agreement with Buckeye Community Hope Foundation (BCHF) to provide sponsorship and oversight services as required by law. The agreement has been renewed through June 30, 2020. Sponsorship fees are calculated as 3% of the Fiscal Year 2018 Foundation payments received by SCM, from the State of Ohio. The total amount due from SCM for fiscal year 2018 was \$17,102, all of which was paid prior to June 30, 2018.

CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

- A Community School -

Cuyahoga County, Ohio

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

SCM entered into an agreement with Constellation Schools to provide legal, financial, and business management services for fiscal year 2018. The agreement was for a period of one year, effective July 1, 2017. Management fees are calculated as 6.25% of the Fiscal Year 2018 Foundation payment received by SCM from the State of Ohio plus a fixed fee of \$46,125. The total amount due from SCM for the fiscal year ending June 30, 2018 was \$82,544. During the 2018 fiscal year CS issued credits totaling \$82,544 to SCM to reduce total management fees to \$0.

ConstellationSchools: Stockyard Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the SCM's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
SCM's Proportion of the Net Pension Liability	0.00362378%	0.00520468%	0.00469230%	0.00553289%	0.00553289%
SCM's Proportionate Share of the Net Pension Liability	\$ 216,513	\$ 380,935	\$ 267,747	\$ 280,016	\$ 329,023
SCM's Covered Payroll (2)	\$ 120,393	\$ 156,229	\$ 37,542	\$ 80,418	\$ 39,357
SCM's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.84%	243.83%	713.20%	348.20%	836.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
SCM's Proportion of the Net Pension Liability	0.00275879%	0.00321959%	0.00299967%	0.00369234%	0.00369234%
SCM's Proportionate Share of the Net Pension Liability	\$ 655,357	\$ 1,077,694	\$ 829,021	\$ 898,105	\$ 1,069,817
SCM's Covered Payroll (2)	\$ 303,243	\$ 299,600	\$ 247,714	\$ 286,054	\$ 315,846
SCM's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.12%	359.71%	334.67%	313.96%	338.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

(2) Certain Constellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 through 2018 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the SCM's Contributions - Pension
Last Eight Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
School Employees Retirement System (SERS)			
Contractually Required Contribution	\$ 11,404	\$ 16,855	\$ 21,872
Contributions in Relation to the Contractually Required Contribution	<u>(11,404)</u>	<u>(16,855)</u>	<u>(21,872)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SCM's Covered Payroll (2)	\$ 84,474	\$ 120,393	\$ 156,229
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%
State Teachers Retirement System (STRS)			
Contractually Required Contribution	\$ 45,588	\$ 42,454	\$ 41,944
Contributions in Relation to the Contractually Required Contribution	<u>(45,588)</u>	<u>(42,454)</u>	<u>(41,944)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SCM's Covered Payroll (2)	\$ 325,629	\$ 303,243	\$ 299,600
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Information prior to fiscal year 2011 is not available.

(2) Certain Constellation Schools LLC employees are reported under one employer code with the state retirement. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 4,948	\$ 11,146	\$ 5,447	\$ 4,912	n/a
<u>(4,948)</u>	<u>(11,146)</u>	<u>(5,447)</u>	<u>(4,912)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 37,542	\$ 80,418	\$ 39,357	\$ 36,520	n/a
13.18%	13.86%	13.84%	13.45%	n/a
\$ 34,680	\$ 37,187	\$ 41,060	\$ 33,546	\$ 26,040
<u>(34,680)</u>	<u>(37,187)</u>	<u>(41,060)</u>	<u>(33,546)</u>	<u>(26,040)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 247,714	\$ 286,054	\$ 315,846	\$ 258,046	\$ 200,308
14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the SCM's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
<i>School Employees Retirement System (SERS)</i>		
SCM's Proportion of the Net OPEB Liability	0.00337124%	0.00493578%
SCM's Proportionate Share of the Net OPEB Liability	\$ 90,475	\$ 140,688
SCM's Covered Payroll	\$ 120,393	\$ 156,229
SCM's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.15%	90.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>		
SCM's Proportion of the Net OPEB Liability	0.00275879%	0.00321959%
SCM's Proportionate Share of the Net OPEB Liability	\$ 107,638	\$ 172,185
SCM's Covered Payroll	\$ 303,243	\$ 299,600
SCM's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.50%	57.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Constellation Schools: Stockyard Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the SCM's Contributions - OPEB
Last Eight Fiscal Years (2)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	\$ 422	\$ 258	\$ 671	\$ 790
Contributions in Relation to the Contractually Required Contribution	<u>(422)</u>	<u>(258)</u>	<u>(671)</u>	<u>(790)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SCM's Covered Payroll (3)	\$ 84,474	\$ 120,393	\$ 156,229	\$ 37,542
OPEB Contributions as a Percentage of Covered Payroll (1)	0.50%	0.21%	0.43%	2.10%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SCM's Covered Payroll (3)	\$ 325,629	\$ 303,243	\$ 299,600	\$ 247,714
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

(2) Information prior to fiscal year 2011 is not available.

(3) Certain Constellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 through 2018 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 588	\$ 703	\$ 971	n/a
<u>(588)</u>	<u>(703)</u>	<u>(971)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 80,418	\$ 39,357	\$ 36,520	n/a
0.73%	1.79%	2.66%	n/a
\$ 2,861	\$ 3,158	\$ 2,580	\$ 2,003
<u>(2,861)</u>	<u>(3,158)</u>	<u>(2,580)</u>	<u>(2,003)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 286,054	\$ 315,846	\$ 258,046	\$ 200,308
1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Constellation Schools: Stockyard Community Middle
Cuyahoga County
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

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

Changes in Benefit Terms – SERS

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

Changes in Assumptions – STRS

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

**Constellation Schools: Stockyard Community Middle
Cuyahoga County**

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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OHIO AUDITOR OF STATE KEITH FABER



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

Constellation Schools: Stockyard Community Middle
Cuyahoga County
3200 West 65th Street
Cleveland, Ohio 44102

5730 Broadview Rd
Parma, OH 44134

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 3, 2019, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 3, 2019

OHIO AUDITOR OF STATE
KEITH FABER



STOCKYARD COMMUNITY MIDDLE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 23, 2019**