

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

*REGULAR AUDIT*

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Constellation Schools: Stockyard Community Middle  
3200 West 65th Street  
Cleveland, Ohio 44102

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Constellation Schools: Stockyard Community Middle is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**April 12, 2022**

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Constellation Schools: Stockyard Community Middle  
Cuyahoga County, Ohio  
3200 W 65th St,  
Cleveland, OH 44102

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio, (the “School”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Rea & Associates, Inc.  
Independence, Ohio  
March 24, 2022



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# **CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**

## **Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

**(Unaudited)**

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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, 2021. 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 2021 include the following:

- In 2021 net position increased \$168,710, which represents a 19.52% increase from 2020.
- Total assets and deferred outflows of resources increased \$34,765, which represents a 7.70% increase from 2020.
- Liabilities and deferred inflows of resources decreased \$133,945, which represents a 10.18% decrease from 2020.
- Operating revenues increased by \$34,798, which represents a 5.10% increase from 2020.
- Expenses increased by \$37,887 which represents a 4.00% increase from 2020.
- Non-operating revenues increased by \$129,548 which represents a 42.18% increase from 2020.

### **Using this Financial Report**

This report consists of three parts: 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.

### **Statement of Net Position**

The Statement of Net Position looks at how well SCM has performed financially through June 30, 2021. 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, 2021 and 2020 for SCM.

## CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

### Management's Discussion and Analysis

For the Year Ended June 30, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
<b>Assets and Deferred Outflows of Resources</b>				
Cash	\$130,302	\$142,507	(\$12,205)	-8.56%
Other Current Assets	96,223	13,015	83,208	639.32%
Non-Current Assets	4,439	4,439	-	0.00%
Net OPEB Assets	44,281	40,759	3,522	8.64%
Capital Assets, Net	6,602	18,764	(12,162)	-64.82%
Deferred Outflow of Resources	204,498	232,096	(27,598)	-11.89%
Total Assets and Deferred				
Outflow of Resources	<u>486,345</u>	<u>451,580</u>	<u>34,765</u>	<u>7.70%</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current Liabilities	57,101	88,585	(31,484)	-35.54%
Long-Term Liabilities	905,797	926,554	(20,757)	-2.24%
Deferred Inflow of Resources	219,214	300,918	(81,704)	-27.15%
Total Liabilities and Deferred				
Inflow of Resources	<u>1,182,112</u>	<u>1,316,057</u>	<u>(133,945)</u>	<u>-10.18%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	(1,620)	18,764	(3,450)	-18.39%
Unrestricted	(694,147)	(883,241)	189,094	-21.41%
Total Net Position	<u>(\$695,767)</u>	<u>(\$864,477)</u>	<u>\$168,710</u>	<u>19.52%</u>

Cash decreased during the year from operations in which expenses outpaced revenues. Other Assets increased due to an increase in due from other governments for receivables related to CARES Act funding that was spent but not reimbursed at year end, offset by decreases in prepaid expenses. Capital assets decreased during the year due to depreciation expense exceeding current year additions. Current liabilities decreased due to annual principal payments made on outstanding loans and the forgiveness of the PPP loan by SBA during 2021. In addition changes to deferred outflows/inflows of resources and long term liabilities fluctuated due to changes in accruals related to GASB 68/75.

### 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, 2021.

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, 2021 and 2020.

## CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

### Management's Discussion and Analysis

For the Year Ended June 30, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
<b>Revenues</b>				
State Aid	\$576,479	\$640,196	(\$63,717)	-9.95%
Casino Tax	2,676	3,686	(1,010)	-27.40%
Other Operating Revenues	137,938	38,413	99,525	259.09%
Total Operating Revenues	<u>717,093</u>	<u>682,295</u>	<u>34,798</u>	<u>5.10%</u>
Private Grants and Contributions	-	60,676	(60,676)	-100.00%
Federal and State Grants	339,945	246,452	93,493	37.94%
Debt Forgiveness	96,731	-	96,731	100.00%
Total Non-Operating Revenues	<u>436,676</u>	<u>307,128</u>	<u>129,548</u>	<u>42.18%</u>
Total Revenues	<u>1,153,769</u>	<u>989,423</u>	<u>164,346</u>	<u>16.61%</u>
<b>Expenses</b>				
Salaries	355,320	351,673	3,647	1.04%
Fringe Benefits	114,553	54,969	59,584	108.40%
Interest Expense	981	347	634	182.71%
Purchased Services	460,254	466,004	(5,750)	-1.23%
Materials and Supplies	28,730	26,283	2,447	9.31%
Depreciation	12,161	14,179	(2,018)	-14.23%
Other Expenses	13,060	33,717	(20,657)	-61.27%
Total Expenses	<u>985,059</u>	<u>947,172</u>	<u>37,887</u>	<u>4.00%</u>
Changes in Net Position	<u>168,710</u>	<u>42,251</u>	<u>126,459</u>	<u>299.30%</u>
Net Position: Beginning of the Year	<u>(864,477)</u>	<u>(906,728)</u>	<u>42,251</u>	<u>4.66%</u>
Net Position: End of Year	<u>(\$695,767)</u>	<u>(\$864,477)</u>	<u>\$168,710</u>	<u>19.52%</u>

The most significant change in revenues from 2020 to 2021 include decreases of \$63,717 in state aid due to a reduction in enrollment. Increases in federal and state grants of \$93,493 was due to additional allocations of federal funding from CARES Act resources. Debt forgiveness increased due to forgiveness of the PPP loan by SBA during the year.

Expense changes to note are an increase in material and supplies related to additional CARES Act funding for cleaning supplies at the school, and an increase of fringe benefits due to the changes in accruals related to GASB 68/75.

### Capital Assets

As of June 30, 2021, SCM had \$6,602 invested in building improvements, technology and software, and furniture and equipment, net of depreciation. This is a \$12,161 decrease from June 30, 2020.

# CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

## Management's Discussion and Analysis

For the Year Ended June 30, 2021

(Unaudited)

The following schedule provides a summary of Capital Assets as of June 30, 2021 and 2020 for SCM.

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
<b>Capital Assets (net of depreciation)</b>				
Technology and Software	\$ -	\$ 5,506	\$ (5,506)	-100.00%
Furniture and Equipment	<u>6,602</u>	<u>13,257</u>	<u>(6,655)</u>	<u>-50.20%</u>
Net Capital Assets	<u>\$ 6,602</u>	<u>\$ 18,763</u>	<u>\$ (12,161)</u>	<u>-64.81%</u>

For more information on capital assets see the Notes to the Financial Statements (Note IV).

### 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.

In May of 2020 SCM converted all remaining obligations under all leases with Winthrop (now known as TCF) to a financed purchase with a term of 27 months and no interest due. SCM has title to all equipment. Equipment serves as collateral during the term. In the event of default, TCF may declare all obligations due and payable. The outstanding debt as of June 30, 2021 is \$8,222.

For more information on capital equipment financing see the Notes to the Financial Statements, Note VI.

### PPP Loans

During the fiscal year 2020, the school applied for and received a Paycheck Protection Program loan totaling \$95,000. Under the terms of the program, the school applied for and was granted forgiveness of the loan in fiscal year 2021.

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

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

The net pension and OPEB liability is the largest single liability reported by SCM at June 30, 2021 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior fiscal year, SCM also 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 and net OPEB asset

## CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

### Management's Discussion and Analysis

For the Year Ended June 30, 2021

(Unaudited)

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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 asset/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 asset/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, 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

# CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE

## Management's Discussion and Analysis

For the Year Ended June 30, 2021

(Unaudited)

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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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

There was a significant change in net pension / OPEB liability / asset for SCM. The fluctuations are due to changes in the actuarial liabilities / assets and related accruals that are passed through to SCM's financial statement. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows / inflows and net pension/OPEB liabilities/asset and are described in more detail in their respective notes.

### **Current Financial Issues**

Stockyard Community Middle opened in August 2010. The school serves student in grades seven and eight.

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 Dave Massa, Treasurer, by mail at Constellation Schools LLC, 5730 Broadview Road, Parma, Ohio 44134; by calling 216.712.7600; or by faxing 216.712.7601.

**Constellation Schools: Stockyard Community Middle**  
**Cuyahoga County, Ohio**  
**Statement of Net Position**  
**As of June 30, 2021**

**Assets:**

**Current Assets:**

Cash	\$130,302
Accounts Receivable	4,253
Prepaid Expenses	3,356
Due from Other Governments	88,614
<i>Total Current Assets</i>	226,525

**Non-Current Assets:**

Security Deposit	4,439
Net OPEB Assets	44,281
Capital Assets (Net of Accumulated Depreciation)	6,602
<i>Total Non-Current Assets</i>	55,322
<i>Total Assets</i>	281,847

**Deferred Outflow of Resources:**

Pension and OPEB (STRS & SERS)	204,498
<i>Total Deferred Outflow of Resources</i>	204,498
<i>Total Assets and Deferred Outflow of Resources</i>	486,345

**Liabilities:**

**Current Liabilities:**

Accounts Payable	10,897
Accrued Wages and Benefits	37,982
Note Payable	8,222
<i>Total Current Liabilities</i>	57,101

**Long Term Liabilities:**

Net Pension and OPEB Liability	905,797
<i>Total Long Term Liabilities</i>	905,797
<i>Total Liabilities</i>	962,898

**Deferred Inflow of Resources:**

Pension and OPEB (STRS & SERS)	219,214
<i>Total Deferred Inflow of Resources</i>	219,214
<i>Total Liabilities and Deferred Inflow of Resources</i>	1,182,112

**Net Position:**

Net Investment in Capital Assets	(1,620)
Unrestricted	(694,147)
<i>Total Net Position</i>	(\$695,767)

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, 2021**

**Operating Revenues:**

State Aid	\$	576,479
Casino Tax Distributions		2,676
Other Operating Revenues		137,938
		137,938
<i>Total Operating Revenues</i>		717,093

**Operating Expenses:**

Salaries		355,320
Fringe Benefits		114,553
Purchased Services		460,254
Materials and Supplies		28,730
Depreciation		12,161
Other Operating Expenses		13,060
		13,060
<i>Total Operating Expenses</i>		984,078

Operating Loss		(266,985)
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**Non-Operating Revenues & (Expenses):**

Interest Expense		(981)
Federal and State Grants		339,945
Debt Forgiveness		96,731
		96,731
<i>Total Non-Operating Revenues &amp; (Expenses)</i>		435,695

Change in Net Position		168,710
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Net Position at Beginning of the Year		(864,477)
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Net Position at End of Year	\$	(695,767)
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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, 2021**

**Increase (Decrease) in Cash:**

**Cash Flows from Operating Activities:**

Cash Received from State of Ohio	\$579,155
Cash Payments to Suppliers for Goods and Services	(504,359)
Cash Payments to Employees for Services	(475,468)
Other Operating Revenues	137,938
	137,938
Net Cash Used for Operating Activities	(262,734)

**Cash Flows from Noncapital Financing Activities:**

Federal and State Grants Received	257,700
Increase in Security Deposits	1,051
	1,051
Net Cash Provided by Noncapital Financing Activities	258,751

**Cash Flows from Capital and Related Financing Activities:**

Note Principal Payments	(8,222)
	(8,222)
Net Cash Used by Capital and Related Financing Activities	(8,222)
Net Decrease in Cash	(12,205)
Cash at Beginning of Year	142,507
	142,507
Cash at End of Year	\$130,302

**Non-Cash Transaction:**

During fiscal year 2021, \$96,731 worth of Payroll Protection Program Loans including interest were forgiven by the U.S Small Business Administration.

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, 2021  
(Continued)**

**Reconciliation of Operating Loss to Net  
Cash Used for Operating Activities:**

Operating Loss	<u>\$ (266,985)</u>
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used for Operating Activities:**

Depreciation	12,161
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Changes in Assets, Liabilities, Deferred Inflows of Resources  
and Deferred Outflows of Resources:

(Increase) in Accounts Receivable	(4,053)
Decrease in Prepaid Expenses	3,090
(Increase) in Net OPEB Assets	(3,522)
Decrease in Deferred Outflows – Pensions and OPEB	27,598
Increase in Accounts Payable	4,952
Increase in Payroll Payable/Accrued Wages and Benefits	6,036
(Decrease) in Due to Other Governments	(6,229)
(Decrease) in Unearned Revenue	(75)
Increase in Net Pension and OPEB Liability	45,997
(Decrease) in Deferred Inflows – Pensions and OPEB	<u>(81,704)</u>

Total Adjustments	<u>4,251</u>
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Net Cash Used for Operating Activities	<u><u>\$ (262,734)</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**

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

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**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, 2025. Under the terms of the contract BCHF will provide sponsorship services for a fee. See Note XIII 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 XIII 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. During 2021, board members for SCM also serve as the board for Constellation Schools: Puritas Community Middle and Constellation Schools: Westside Community School of the Arts.

**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.

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**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**

For the fiscal year ended June 30, 2021, SCM has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB Statement No. 90, Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61, and certain provisions of GASB Statement No. 93, Replacement of Interbank Offered Rates.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the SCM.

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GASB Statement No. 90 improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the SCM.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of SCM.

**4. Cash**

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

**5. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between SCM and its Sponsor. The contract between SCM and its Sponsor does not require SCM to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

**6. Due From Other Governments**

Monies due SCM for the year ended June 30, 2021 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 acquisition 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

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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:

<b>Capital Asset Classification</b>	<b>Years</b>
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 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 2021 school year totaled \$919,100.

**9. 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.

**10. Pensions and Other Postemployment Benefits (OPEB)**

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

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**11. 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.

**12. 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.

**13. 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 X and Note XI.

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 X and Note XI.

**14. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of SCM. For SCM, 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 SCM. All revenues and expenses not meeting this definition are reported as non-operating.



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**15. 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 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, 2021, the carrying amount of SCM's deposits totaled \$130,302 and its bank balance was \$153,060. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2021, none of the bank balance was exposed to custodial risk as discussed below, while \$153,060 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 SCM 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.

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**IV. Capital Assets**

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

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Capital Assets Being Depreciated:				
Building Improvements	\$ 8,821	\$ -	\$ -	\$ 8,821
Technology and Software	24,560	-	-	24,560
Furniture and Equipment	72,902	-	-	72,902
Total Capital Assets Being Depreciated	106,283	-	-	106,283
Less Accumulated Depreciation:				
Building Improvements	(8,821)	-	-	(8,821)
Technology and Software	(19,054)	(5,506)	-	(24,560)
Furniture and Equipment	(59,645)	(6,655)	-	(66,300)
Total Accumulated Depreciation	(87,520)	(12,161)	-	(99,681)
Total Capital Assets, Net of Accumulated Depreciation	\$ 18,763	\$ (12,161)	\$ -	\$ 6,602

**V. Purchased Services**

Purchased Services include the following:

Professional and Technical Services	\$ 345,210
Property Services	79,122
Communications	4,569
Contracted Services	26,880
Other	4,473
Total Purchased Services	\$ 460,254

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**VI. Capital Equipment Lease Payable**

In September 2017, SCM entered into a four-year lease for technology equipment with Winthrop Leasing. This lease meets 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 in 2017 (as of June 30, 2021 the lease has been fully depreciated). 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 in 2017. During 2020, SCM converted outstanding leases to a financed purchase agreement. See Note VII.

**VII. Direct Borrowing**

In May of 2020 SCM converted all remaining obligations under all leases with Winthrop (now known as TCF) to a financed purchase with a term of 27 months and no interest due. SCM has title to all equipment. Equipment serves as collateral during the term. In the event of default, TCF may declare all obligations due and payable.

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/21</u>	<u>Due In One Year</u>
Financed Purchase	\$16,444	\$ -	(\$8,222)	\$8,222	\$8,222
<b>TOTAL</b>	<u>\$16,444</u>	<u>\$ -</u>	<u>(\$8,222)</u>	<u>\$8,222</u>	<u>\$8,222</u>

<u>Year</u>	<u>TCF</u>	
	<u>Payment</u>	<u>Total</u>
2022	\$8,222	\$8,222
<b>Total</b>	<u>\$8,222</u>	<u>\$8,222</u>

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**VIII. 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 was amended to \$5,000. The lease is through the period ending June 30, 2023 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 2021. Rents paid during the fiscal year was \$60,000 all of which was paid by June 30, 2021.

**IX. 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 2021, 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.

**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.

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**X. Defined Benefit Pension Plans**

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

**1. Net Pension Liability/Net OPEB Liability (Asset)**

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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/OPEB are financed; however, SCM does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset). Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of zero 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 the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021,

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the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

SCM's contractually required contribution to SERS was \$13,292 for fiscal year 2021.

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

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

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

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

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

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated

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among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

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

SCM's contractually required contribution to STRS was \$42,936 for fiscal year 2021.

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

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



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	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00342910%	0.00251957%	
Prior Measurement Date	0.00374581%	0.00246094%	
Change in Proportionate Share	-0.00031671%	0.00005863%	
Proportionate Share of the Net			
Pension Liability	\$ 226,808	\$ 609,646	\$ 836,454
Pension Expense	\$ 8,261	\$ 50,692	\$ 58,953

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, 2021 SCM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 441	\$ 1,369	\$ 1,810
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,397	29,647	44,044
Changes of Assumptions	-	32,727	32,727
Changes in Proportion and Differences between SCM Contributions and Proportionate Share of Contributions	9,964	17,082	27,046
SCM Contributions Subsequent to the Measurement Date	13,292	42,936	56,228
<b>Total Deferred Outflows of Resources</b>	<b>\$ 38,094</b>	<b>\$ 123,761</b>	<b>\$ 161,855</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ -	\$ 3,898	\$ 3,898
Changes in Proportion and Differences between SCM Contributions and Proportionate Share of Contributions	11,541	74,420	85,961
<b>Total Deferred Inflows of Resources</b>	<b>\$ 11,541</b>	<b>\$ 78,318</b>	<b>\$ 89,859</b>

\$56,228 reported as deferred outflows of resources related to pension resulting from SCM contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ 2,690	\$ (16,626)	\$ (13,936)
2023	64	30	94
2024	6,000	3,318	9,318
2025	4,507	15,785	20,292
	<b>\$ 13,261</b>	<b>\$ 2,507</b>	<b>\$ 15,768</b>

**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 results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

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

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

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

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

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

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

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

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

**Sensitivity of 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 SCM'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	Current Discount Rate	1% Increase
SCM's Proportionate Share of the Net Pension Liability	\$ 310,699	\$ 226,808	\$ 156,422

**6. Actuarial Assumptions - STRS**

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

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

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

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

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

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

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

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

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**Sensitivity of SCM's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents SCM's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what 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	Current Discount Rate	1% Increase
SCM's Proportionate Share of the Net Pension Liability	\$ 868,030	\$ 609,646	\$ 390,687

**XI. Defined Benefit OPEB Plans**

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

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

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

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

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

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

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

**3. Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. SCM's proportion of the net OPEB liability (asset) 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:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00319063%	0.00251957%	
Prior Measurement Date	0.00363689%	0.00246094%	
Change in Proportionate Share	-0.00044626%	0.00005863%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 69,343	\$ (44,281)	
OPEB Expense	\$ (10,756)	\$ (3,600)	\$ (14,356)

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 911	\$ 2,837	\$ 3,748
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	783	1,550	2,333
Changes of Assumptions	11,822	731	12,553
Changes in Proportion and Differences between			
SCM Contributions and Proportionate			
Share of Contributions	23,674	335	24,009
<b>Total Deferred Outflows of Resources</b>	\$ 37,190	\$ 5,453	\$ 42,643
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 35,265	\$ 8,822	\$ 44,087
Changes of Assumptions	1,747	42,058	43,805
Changes in Proportion and Differences between			
SCM Contributions and Proportionate			
Share of Contributions	28,960	12,503	41,463
<b>Total Deferred Inflows of Resources</b>	\$ 65,972	\$ 63,383	\$ 129,355

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (6,477)	\$ (15,263)	\$ (21,740)
2023	(6,421)	(14,213)	(20,634)
2024	(6,433)	(13,838)	(20,271)
2025	(3,616)	(10,094)	(13,710)
2026	(3,390)	(2,394)	(5,784)
Thereafter	(2,445)	(2,128)	(4,573)
	\$ (28,782)	\$ (57,930)	\$ (86,712)



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**4. Actuarial Assumptions - SERS**

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

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

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

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

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

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

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

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

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

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

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

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return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

**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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
SCM's Proportionate Share of the Net OPEB Liability	\$ 84,874	\$ 69,343	\$ 56,996
	1% Decrease	Current Trend Rate	1% Increase
SCM's Proportionate Share of the Net OPEB Liability	\$ 54,602	\$ 69,343	\$ 89,055

**5. Actuarial Assumptions – STRS**

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

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

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

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

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

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

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

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

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

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

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care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
SCM's Proportionate Share of the Net OPEB Liability (Asset)	\$ (38,528)	\$ (44,281)	\$ (49,163)
	1% Decrease	Current Trend Rate	1% Increase
SCM's Proportionate Share of the Net OPEB Liability (Asset)	\$ (48,860)	\$ (44,281)	\$ (38,704)

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

**XII. 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, 2021.

**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

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support student participation and other matters of noncompliance. ODE did perform such a review on SCM for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been finalized.

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 XIII). As noted above, all ODE adjustments for fiscal year 2021 have been finalized. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

**XIII. 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, 2025. Sponsorship fees are calculated as 3% of the Fiscal Year 2021 Foundation payments received by SCM, from the State of Ohio. The total amount due from SCM for fiscal year 2021 was \$16,726 of which was paid prior to June 30, 2021.

SCM entered into an agreement with Constellation Schools to provide legal, financial, and business management services for fiscal year 2021. The agreement was for a period of one year, effective July 1, 2020. Management fees are calculated as 6.25% of the Fiscal Year 2021 Foundation payment received by SCM from the State of Ohio plus a fixed fee of \$56,125. The total amount due from SCM for the fiscal year ending June 30, 2021 was \$69,861, all of which was paid by June 30, 2021. During the 2021 fiscal year CS made a contribution in the amount of \$22,000 to the school to help the school meet operating expenses due to low enrollment.

**XIV. Payroll Protection Program Loan**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows for certain companies to apply for aid and through forgivable loans. The school entered into a note payable agreement with a bank under PPP. The unsecured note has a principal amount of \$95,000 maturing on 05/05/2022. During 2021, principal and any accumulated interest was forgiven by U.S. Small Business Administration and the Bank in the amount of \$96,731.

**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**  
**Cuyahoga County, Ohio**

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

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**XV. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidation Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**XVIII. SUBSEQUENT EVENTS**

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the Community School reported \$576,479 in revenue related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	2021	2020	2019	2018	2017	2016	2015	2014
<b><i>School Employees Retirement System (SERS)</i></b>								
SCM's Proportion of the Net Pension Liability	0.00342910%	0.00374581%	0.00261887%	0.00362378%	0.00520468%	0.00469230%	0.00553289%	0.00553289%
SCM's Proportionate Share of the Net Pension Liability	\$ 226,808	\$ 224,118	\$ 149,987	\$ 216,513	\$ 380,935	\$ 267,747	\$ 2,880,016	\$ 329,023
SCM's Covered Payroll	\$ 119,857	\$ 49,763	\$ 84,474	\$ 120,393	\$ 156,229	\$ 37,542	\$ 80,148	\$ 39,357
SCM's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.23%	450.37%	177.55%	179.84%	243.83%	713.20%	348.20%	836.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<b><i>State Teachers Retirement System (STRS)</i></b>								
SCM's Proportion of the Net Pension Liability	0.00251957%	0.00246094%	0.00286574%	0.00275879%	0.00321959%	0.00299967%	0.00369234%	0.00369324%
SCM's Proportionate Share of the Net Pension Liability	\$ 609,646	\$ 544,222	\$ 630,111	\$ 655,357	\$ 1,077,694	\$ 829,021	\$ 898,105	\$ 1,069,817
SCM's Covered Payroll	\$ 304,129	\$ 279,014	\$ 325,629	\$ 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	200.46%	195.05%	193.51%	216.12%	359.71%	334.67%	313.96%	338.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Certain Constellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all the 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 year 2014 through 2020 amounts have been updated, however, information was not available to update fiscal year 2013 and prior.

Amounts presented as of SCM's measurement date which is the prior fiscal period end.

See accompanying notes to required supplementary information.



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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>School Employees Retirement System (SERS)</i></b>										
Contractually Required Contribution	\$ 13,292	\$ 16,780	\$ 6,718	\$ 11,404	\$ 16,855	\$ 21,872	\$ 4,948	\$ 11,146	\$ 5,447	\$ 4,912
Contributions in Relation to the Contractually Required Contribution	<u>(13,292)</u>	<u>(16,780)</u>	<u>(6,718)</u>	<u>(11,404)</u>	<u>(16,855)</u>	<u>(21,872)</u>	<u>(4,948)</u>	<u>(11,146)</u>	<u>(5,447)</u>	<u>(4,912)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCM's Covered Payroll	\$ 94,943	\$ 119,857	\$ 49,763	\$ 84,474	\$ 120,393	\$ 156,229	\$ 37,542	\$ 80,418	\$ 39,357	\$ 36,520
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
<b><i>State Teachers Retirement System (STRS)</i></b>										
Contractually Required Contribution	\$ 42,936	\$ 42,578	\$ 39,062	\$ 45,588	\$ 42,454	\$ 41,944	\$ 34,680	\$ 37,187	\$ 41,060	\$ 33,546
Contributions in Relation to the Contractually Required Contribution	<u>(42,936)</u>	<u>(42,578)</u>	<u>(39,062)</u>	<u>(45,588)</u>	<u>(42,454)</u>	<u>(41,944)</u>	<u>(34,680)</u>	<u>(37,187)</u>	<u>(41,060)</u>	<u>(33,546)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCM's Covered Payroll	\$306,686	\$304,129	\$279,014	\$325,629	\$303,243	\$299,600	\$247,714	\$286,054	\$315,846	\$258,046
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>					
SCM's Proportion of the Net OPEB Liability	0.00319063%	0.00363689%	0.00239710%	0.00337124%	0.00493578%
SCM's Proportionate Share of the Net OPEB Liability	\$ 69,343	\$ 91,460	\$ 66,502	\$ 90,475	\$ 140,688
SCM's Covered Payroll	\$ 119,857	\$ 49,763	\$ 84,474	\$ 120,393	\$ 156,229
SCM's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57.85%	183.79%	78.72%	75.15%	90.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>					
SCM's Proportion of the Net OPEB Liability (Asset)	0.00251957%	0.00246094%	0.00286574%	0.00275879%	0.00321959%
SCM's Proportionate Share of the Net OPEB Liability (Asset)	\$ (44,281)	\$ (40,759)	\$ (46,049)	\$ 107,638	\$ 172,185
SCM's Covered Payroll	\$ 304,129	\$ 279,014	\$ 325,629	\$ 303,243	\$ 299,600
SCM's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.56%	-14.61%	-14.14%	35.50%	57.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	147.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Certain Constellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all the 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 year 2017 through 2020 amounts have been updated, however, information was not available to update fiscal year 2016 and prior.

Amounts presented as of SCM's measurement date which is the prior fiscal period end.

See accompanying notes to required supplementary information.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>School Employees Retirement System (SERS)</i></b>										
Contractually Required Contribution (1)	\$ -	\$ 380	\$ 349	\$ 422	\$ 258	\$ 671	\$ 790	\$ 588	\$ 703	\$ 971
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>(380)</u>	<u>(349)</u>	<u>(422)</u>	<u>(258)</u>	<u>(671)</u>	<u>(790)</u>	<u>(588)</u>	<u>(703)</u>	<u>(971)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCM's Covered Payroll	\$ 94,943	\$ 119,857	\$ 49,763	\$ 84,474	\$ 12,393	\$ 156,229	\$ 37,542	\$ 80,418	\$ 39,357	\$ 36,520
OPEB Contributions as a Percentage of Covered Payroll (1)	0.00%	0.32%	0.50%	0.50%	0.21%	0.43%	2.10%	0.73%	1.79%	2.66%
<b><i>State Teachers Retirement System (STRS)</i></b>										
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,861	\$ 3,158	\$ 2,580
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,861)</u>	<u>(3,158)</u>	<u>(2,580)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCM's Covered Payroll	\$306,686	\$304,129	\$279,014	\$325,629	\$303,243	\$299,600	\$247,714	\$826,054	\$315,846	\$258,046
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**  
**Cuyahoga County, Ohio**

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

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**Note 1 - Net Pension Liability**

**Changes in Assumptions - SERS**

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

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

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

**Changes in Assumptions – STRS**

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

**Changes in Benefit Terms - SERS**

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

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2021.

**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**  
**Cuyahoga County, Ohio**

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

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**Changes in Benefit Terms - STRS**

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

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

**Changes in Assumptions – SERS**

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

Municipal Bond Index Rate:

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

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

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

Pre-Medicare

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

Medicare

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

**Changes in Assumptions – STRS**

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

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

**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**  
**Cuyahoga County, Ohio**

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

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

**Changes in Benefit Terms – SERS**

There have been no changes to the benefit provisions.

**Changes in Benefit Terms – STRS**

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

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

To the Board of Directors  
Constellation Schools: Stockyard Community Middle  
Cuyahoga County, Ohio  
3200 W 65th St,  
Cleveland, OH 44102

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Constellation Schools: Stockyard Community Middle, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 24, 2022.

**Internal Control over Financial Reporting**

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

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

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

Constellation Schools: Stockyard Community Middle  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2 of 2

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Independence, Ohio  
March 24, 2022





# Constellation Schools

*"The Right Choice for Parents and a Real Chance for Children!"*

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

*Schedule of Prior Audit Findings*

*For the Year Ended June 30, 2021*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	AUC-265, material audit adjustments to the financial statements presented to audit in regards to classification of Quality Community School Support revenue.	Fully Corrected.	The School corrected processes to appropriately report the Quality Community School Support revenue as non-operating state grants.

# OHIO AUDITOR OF STATE KEITH FABER



**CONSTELLATION SCHOOLS: STOCKYARD COMMUNITY MIDDLE**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

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

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