CONSTELLATION SCHOOLS: OLD BROOKLYN COMMUNITY MIDDLE
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CONSTELLATION SCHOOLS: OLD BROOKLYN COMMUNITY MIDDLE
CUYAHOGA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County
4430 State Road
Cleveland, OH 44109

5730 Broadview Rd
Parma, OH 44134

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Constellation Schools: Old Brooklyn Community Middle, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Constellation Schools: Old Brooklyn Community Middle, Cuyahoga County, Ohio as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

November 20, 2019

The discussion and analysis of Constellation Schools: Old Brooklyn Community Middle's (OBCM) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the financial performance of OBCM 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 OBCM.

Financial Highlights

Key financial highlights for 2019 include the following:

- In total, net position increased $347,540, which represents a 28.60% increase from 2018. This is due to increased state foundation support and federal funding, as well as changes in net pension and OPEB liabilities/assets and contributions.

- Total assets and deferred outflow of resources increased $114,095 which represents a 7.50% increase from 2018. This increase is due to increases in cash and net OPEB assets not offset by a decrease in the deferred outflow of resources.

- Liabilities and deferred inflows of resources decreased by $233,445, which represents an 8.53% decrease from 2018. Increases occurred in payroll payable, due to other governments, and deferred inflows of resources, with decreases in loans payable, capital lease payable, and net pension and OPEB liability.

- Operating revenues increased by $73,612, which represents a 3.48% increase from 2018. This is a direct result of increased state foundation support from the previous year.

- Expenses increased by $672,133 which represents a 47.75% increase from 2018. Operating expense increases are due to the change in net pension and OPEB liability, increases in salaries, benefits, purchased services, and materials and supplies. Decreases occurred in capital outlay, depreciation, and other expenses.

- Non-operating revenues increased by $5,824 which represents a 2.50% increase from 2018. This is due to a $5,895 increase in federal and state grants, and a minimal increase in interest income partially offset by a decrease in private grants and contributions.

Using this Financial Report

This report consists of four parts: Management's Discussion and Analysis, the Financial Statements, Notes to the Financial Statements and Required Supplementary 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 OBCM has performed financially through June 30, 2019. 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, 2019 and 2018 for OBCM.

	2019	2018	Change	%
Assets and Deferred Outflows of Resources				
Cash	$834,594	$669,712	$164,882	24.62%
Other Current Assets	30,757	42,512	(11,755)	-27.65%
Non-Current Assets	27,894	27,894	0	0.00%
Net OPEB Assets	105,651	0	105,651	100.00%
Capital Assets, Net	42,835	35,526	7,309	20.57%
Deferred Outflow of Resources	593,963	745,955	(151,992)	-20.38%
Total Assets and Deferred Outflow of Resources	1,635,694	1,521,599	114,095	7.50%
Liabilities and Deferred Inflows of Resources				
Current Liabilities	124,412	113,865	10,546	9.26%
Long-Term Liabilities	1,904,208	2,260,083	(355,874)	-15.75%
Deferred Inflow of Resources	474,718	362,835	111,883	30.84%
Total Liabilities and Deferred Inflow of Resources	2,503,338	2,736,783	(233,445)	-8.53%
Net Position				
Net Investment in Capital Assets	32,087	13,626	18,461	135.48%
Unrestricted	(899,731)	(1,228,810)	329,079	26.78%
Total Net Position	($867,644)	($1,215,184)	$347,540	28.60%

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, 2019.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for OBCM for fiscal years ended June 30, 2019 and 2018.

	2019	2018	Change	%
Revenues				
Foundation and Poverty Based Assistance Revenues	$2,050,096	$1,950,077	$100,019	5.13%
Casino Tax Distributions	14,166	13,292	874	6.58%
Other Operating Revenues	124,650	151,931	(27,281)	-17.96%
Total Operating Revenues	2,188,912	2,115,300	73,612	3.48%
Interest Income	198	96	102	106.25%
Federal and State Grants	236,944	231,049	5,895	2.55%
Private Grants and Contributions	1,300	1,473	(173)	-11.74%
Total Non-Operating Revenues	238,442	232,618	5,824	2.50%
Total Revenues	2,427,354	2,347,918	79,436	3.38%
Expenses				
Salaries	896,899	847,128	49,771	5.88%
Fringe Benefits	260,278	254,091	6,187	2.43%
Change in Net Pension and OPEB Asset/Liability	(191,435)	(805,785)	614,350	-76.24%
Purchased Services	1,012,436	997,647	14,789	1.48%
Materials and Supplies	55,266	49,491	5,775	11.67%
Capital Outlay	0	6,259	(6,259)	-100.00%
Depreciation	14,086	21,992	(7,906)	-35.95%
Other Expenses	32,284	36,858	(4,574)	-12.41%
Total Expenses	2,079,814	1,407,681	672,133	47.75%
Changes in Net Position	347,540	940,237	(592,697)	-63.04%
Net Position: Beginning of the Year	(1,215,184)	(2,155,421)	940,237	43.62%
Net Position: End of Year	($867,644)	($1,215,184)	$347,540	28.60%

Net Position increased in fiscal year ended June 30, 2019. This is due to increases in state foundation aid and federal funding, as well as changes in net pension and OPEB liabilities and contributions. Although certain expenditures such as salaries will increase or decrease as the number of classes increase and decrease; other costs remain fixed such as facilities costs resulting in more efficient operations.

Overall, revenues increased by $79,436 from 2018 to 2019. The most significant revenue changes are increases of $100,019 for Foundation and Poverty Based Assistance funds due to changes in population and increases of $5,895 for Federal and State grants, and an increase in services to other schools. Expenses increased $672,133 from 2018 to 2019. Salaries and Fringe Benefits increased by $55,958 due to normal annual increases. The change in Net Pension and OPEB Asset/Liability is due to recognition of pension and OPEB liabilities per GASB 68 and 75. Purchased services increased $14,789 due to changes in instruction services, student support services, and sponsor fees. Materials and Supplies increased $5,775 due to increased purchases of special education supplies and online instructional software. Capital Outlay decreased $6,259 due to no purchases of classroom technology. Depreciation decreased $7,906 as a result of capitalized equipment becoming fully depreciated. Other Expenses decreased by $4,574 from the prior year due to decreases in fundraising, student activities and other miscellaneous expenses.

Capital Assets

As of June 30, 2019, OBCM had $42,835 invested in technology and software, furniture and equipment, net of depreciation. This is a $7,309 increase from June 30, 2018.

The following schedule provides a summary of Capital Assets as of June 30, 2019 and 2018 for OBCM:

	2019	2018	Change	%
Capital Assets (net of depreciation)				
Technology and Software	$9,821	$20,611	($10,790)	-52.35%
Furniture and Equipment	33,014	14,915	18,099	121.35%
Net Capital Assets	$42,835	$35,526	$7,309	20.57%

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

Equipment Financing

During fiscal year 2014, OBCM secured a four-year loan with CF Bank to purchase $2,134 of technology equipment. During fiscal year 2016 another $14,526 of technology equipment was acquired through a second loan with CF Bank. The equipment has been recorded as capital equipment to recognize the assets, and as loans payable to recognize the debt. The loan was paid in full as of June 30, 2019.

During September 2015 OBCM entered into a lease agreement with Winthrop Resources Corporation for $14,753 worth of technology equipment. The lease value has been recorded as capital equipment to recognize the asset, and as capital equipment lease payable to recognize the lease debt. The lease term is for a total of 48 months, carries an interest rate of 6.46% per annum and will expire in September 2019 at which time the equipment will have minimal value.

During the 2017 fiscal year, the school entered into another lease agreement with Winthrop to acquire $20,085 of technology equipment. This lease is for a term of 48 months and expires in April 2021 at which time the equipment will have minimal value. The lease value has been recorded as capital equipment to recognize the asset, and as capital equipment lease payable to recognize the lease debt.

The outstanding principal value as of June 30, 2019 on the lease payable is $10,748.

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

The net pension and OPEB liability is the largest single liability reported by OBCM at June 30, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27 and* GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pension and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of OBCM's actual financial condition by adding deferred inflow 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.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal OBCM'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, OBCM is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

Current Financial Issues

Constellation Schools: Old Brooklyn Community Middle opened in March of 2006. It has grown from 72 students, six teaching staff members and expenses of $230,680 to a total of 265 students, 24 teaching staff members and expenses of $2,079,814 (please note that the first year of operations was for only one-third of a school year). Grades 5 through 8 were split off from Constellation Schools: Old Brooklyn Community Elementary (OBCE) to form Constellation Schools: Old Brooklyn Community Middle. This is providing more flexibility in the curriculum for each student. During the 2009 fiscal year the school moved into a newly constructed addition to the building it occupies along with OBCE.

The Board of Directors, school management and school staff continue to work diligently to ensure that OBCM 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 OBCM and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Caroline Zito, Treasurer, by mail at Constellation Schools LLC, 5730 Broadview Road, Parma, Ohio 44134; by e-mail at zito.caroline@constellationschools.com; by calling 216.712.7600; or by faxing 216.712.7601.

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Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Statement of Net Position
As of June 30, 2019

Assets:	
Current Assets:	
Cash	$834,594
Prepaid Expenses	1,404
Due from Other Governments	29,353
Total Current Assets	865,351
Non-Current Assets:	
Security Deposit	27,894
Net OPEB Assets	105,651
Capital Assets (Net of Accumulated Depreciation)	42,835
Total Non-Current Assets	176,380
Total Assets	1,041,731
Deferred Outflow of Resources:	
Pension and OPEB (STRS & SERS)	593,963
Total Deferred Outflow of Resources	593,963
Total Assets and Deferred Outflow of Resources	1,635,694
Liabilities:	
Current Liabilities:	
Accounts Payable	11,841
Interest Payable	50
Payroll Payable	88,888
Unearned Revenue	6,277
Due to Other Governments	11,139
Capital Lease Equipment Payable	6,216
Total Current Liabilities	124,411
Long Term Liabilities:	
Capital Lease Equipment Payable	4,532
Net Pension and OPEB Liability	1,899,677
Total Long Term Liabilities	1,904,209
Total Liabilities	2,028,620
Deferred Inflow of Resources:	
Pension and OPEB (STRS & SERS)	474,718
Total Deferred Inflow of Resources	474,718
Total Liabilities and Deferred Inflow of Resources	2,503,338
Net Position:	
Net Investment in Capital Assets	32,087
Unrestricted	(899,731)
Total Net Position	($867,644)

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

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Operating Revenues:	
Foundation and Poverty Based Assistance Revenues	$2,050,096
Casino Tax Distributions	14,166
Other Operating Revenues	124,650
Total Operating Revenues	2,188,912
Operating Expenses:	
Salaries	896,899
Fringe Benefits	260,278
Change in Net Pension and OPEB Asset/Liability	(191,435)
Purchased Services	1,012,436
Materials and Supplies	55,266
Depreciation	14,086
Other Operating Expenses	31,411
Total Operating Expenses	2,078,941
Operating Income	109,971
Non-Operating Revenues & Expenses:	
Interest Income	198
Interest Expense	(873)
Private Grants and Contributions	1,300
Federal and State Grants	236,944
Total Non-Operating Revenues & Expenses	237,569
Change in Net Position	347,540
Net Position at Beginning of the Year	(1,215,184)
Net Position at End of Year	($867,644)

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

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Increase (Decrease) in Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$2,064,262
Cash Payments to Suppliers for Goods and Services	(1,346,358)
Cash Payments to Employees for Services	(888,502)
Other Operating Revenues	126,267
Net Cash Used for Operating Activities	(44,331)
Cash Flows from Noncapital Financing Activities:	
Private Grants and Contributions Received	1,300
Federal and State Grants Received	241,184
Net Cash Provided by Noncapital Financing Activities	242,484
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(21,396)
Equipment Lease Principal Payments	(8,885)
Equipment Lease Interest Payments	(917)
Loan Principal Payments	(2,267)
Loan Interest Payments	(4)
Net Cash Used for Capital and Related Financing Activities	(33,469)
Cash Flows from Investing Activities	
Interest	198
Net Cash Provided by Investing Activities	198
Net Increase in Cash	164,882
Cash at Beginning of Year	669,712
Cash at End of Year	$834,594

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

(Continued)

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
(Continued)

Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Income	$109,971
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	14,086
Changes in Assets, Liabilities, Deferred Inflow of Resources and Deferred Outflow of Resources:	
Decrease in Accounts Receivable	2,111
Decrease in Prepaid Expenses	5,404
(Increase) in Net OPEB Assets	(105,651)
Decrease in Deferred Outflow – Pensions and OPEB	151,992
Increase in Accounts Payable	723
Increase in Payroll Payable	8,397
(Decrease) in Unearned Revenue	(493)
Increase in Due to Other Governments	6,905
(Decrease) in Net Pension and OPEB Liability	(349,659)
Increase in Deferred Inflows - Pensions and OPEB	111,883
Total Adjustments	(154,302)
Net Cash Used for Operating Activities	($44,331)

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

I. Description of the School and Reporting Entity

Constellation Schools: Old Brooklyn Community Middle (OBCM) is a nonprofit corporation established on December 5, 2003 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 March 28, 2006, OBCM received a determination letter confirming 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 OBCM. OBCM, which is part of Ohio's education program, is independent of any school district. OBCM may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of OBCM.

OBCM was approved for operation as Village Community School (VCS) under a contract dated January 20, 2004 between the Governing Authority (Board) of OBCM and the Lucas County Educational Service Center (LCESC). On July 22, 2005 OBCM (as VCS) entered in to a contract with Buckeye Community Hope Foundation (BCHF) to replace LCESC as the sponsor. The contract with BCHF has been renewed with a current expiration date of June 30, 2020. Sponsorship fees payable to BCHF are calculated as 3% of the Foundation payments received by OBCM, from the State of Ohio. See Note XIII for further discussion of the sponsor services.

OBCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, business and educational management services for the fiscal year. The agreement is renewable annually. See Note XIII for further discussion of this management agreement.

OBCM operates under a five member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls OBCM instructional facility staffed by 24 certificated full time teaching personnel and 5 support staff that provided services to 265 students. During 2019, the board members for OBCM also serve as the board for Constellation Schools: Lorain Community Middle, Constellation Schools: Westpark Community Middle and Constellation Schools: Eastside Arts Academy.

II. Summary of Significant Accounting Policies

The financial statements of OBCM 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 OBCM's accounting policies are described below.

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 outflow of resources and all liabilities and deferred inflow of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. OBCM 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 OBCM 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 OBCM must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to OBCM 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, 2019, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

4. Cash

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

5. Budgetary Process

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

6. Due From Other Governments

Moneys due to OBCM for the year ended June 30, 2019 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the moneys to be due.

7. Capital Assets and Depreciation

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

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

Capital Asset Classification	Years
Technology & Software	3 to 5
Furniture and Equipment	10

8. Intergovernmental Revenues

OBCM currently participates in the State Foundation Program, the State Poverty Based Assistance Program, Community Schools Facilities Allocation 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. OBCM 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 2019 school year totaled $2,301,206.

9. Private Grants and Contributions

OBCM receives grants and contributions from private sources to support the schools' programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. OBCM received $1,300 in private grants and contributions during the 2019 fiscal year.

10. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore, OBCM 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. OBCM will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

11. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflow 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 positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

12. Accrued Liabilities and Long-term Obligations

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

13. Use of Estimates

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

14. Unearned Revenue

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

15. Deferred Inflow of Resources and Deferred Outflows of Resources

A deferred outflow of resources is a consumption of assets by OBCM 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 XI and XII.

A deferred inflow of resources is an acquisition of assets by OBCM 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 XI and XII.

16. Net Position

Net position represents the difference between assets and deferred outflow and liabilities and deferred inflow. 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 OBCM or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

17. Operating Revenues and Expenses

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

III. Deposits

At fiscal year end June 30, 2019, the carrying amount of OBCM's deposits totaled $834,594 and its bank balance was $834,892. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2019, $584,892 of the bank balance was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Depository Insurance Corporation.

OBCM has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District 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 OPCS will collateralize utilizing the specific pledge method at one hundred and five percent.

IV. Capital Assets

A summary of capital assets at June 30, 2019 follows:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Capital Assets Being Depreciated				
Technology and Software	$84,718	$0	$0	$84,718
Furniture and Equipment	111,962	21,395	0	133,356
Total Capital Assets Being Depreciated	196,680	21,395	0	218,075
Less Accumulated Depreciation:				
Technology and Software	(64,107)	(10,790)	0	(74,897)
Furniture and Equipment	(97,047)	(3,296)	0	(100,343)
Total Accumulated Depreciation	(161,154)	(14,086)	0	(175,240)
Total Capital Assets, Net of Accumulated Depreciation	$35,526	$7,309	$0	$42,835

V. Purchased Services

Purchased Services include the following:

Instruction	$101,304
Pupil Support Services	111,594
Staff Development & Support	106,629
Administrative	361,035
Occupancy Costs	296,864
Food Services	34,400
Student Activities	610
Total Purchased Services	$1,012,436

VI. Loan Payable

During fiscal year 2015, OBCM secured a four-year loan with CF Bank to purchase $14,526 of technology equipment (the equipment was depreciated as of June 30, 2019). The loan is for a term of 4 years with interest at 3.99% per annum. Interest and principal are paid monthly with loan maturity occurring on January 15, 2019. Equipment purchased with loan proceeds has been capitalized.

Principal payments during fiscal year 2019 totaled $2,267 and interest paid totaled $4.

VII. Capital Equipment Lease Payable

In September 2015, OBCM entered into a four-year lease for technology equipment. During fiscal year 2017, OBCM entered into another forty-eight-month lease for additional technology equipment with Winthrop Leasing. These leases meet the criteria of capital leases as defined by accounting standards, which defines a capital lease generally as one which transfers the benefits and risks of ownership of the lessee.

Assets of technology equipment totaling $14,753 and $20,085, under each agreement respectively, have been capitalized (accumulated depreciation as of June 30, 2019 is $14,138 and $10,879 respectively). This amount represents the actual purchase price of the equipment and is the same as the net present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2019 totaled $8,885 and interest paid totaled $917. Future minimum lease payments for principal and interest under both capital leases are as follows:

Year	Principal	Interest	Total
2020	$ 6,216	$ 417	$ 6,633
2021	4,532	115	4,647
Total	$ 10,748	$ 532	$ 11,280

VIII. Operating Lease

OBCM leases its facility from Constellation Schools: Old Brooklyn Community Elementary (OBCE) under a one-year sub-lease agreement with the ability to renew annually. Under the terms of the sub-lease OBCM made monthly lease payments of $23,958. OBCE charged a total of $287,500 from OBCM for rent during the year. As of June 30, 2019, all monies due OBCE from OBCM have been paid.

On April 10, 2014 Constellation Schools: Old Brooklyn Community Elementary (OBCE) closed a $30,790,000 multi-school, multi-property bond financing arrangement with the Cleveland Cuyahoga County Port Authority (CCCPA). A portion of the proceeds, $22,004,213, along with escrow and reserve deposits from a prior bond issue, $5,245,493, were used to advance refund the entire Constellation Schools Series 2008 Bonds issued by The Industrial Development Authority of the County of Pima. The refunding portion of the issue, along with the escrow and reserve accounts from the 2008 issue, were deposited into an escrow account with US Bank, National Association for the purpose of advance refunding the bonds when they come due. Effective with the closing, ownership of the real property occupied by OBCE and OBCM reverted back to OBCE. The sublease between OBCE and OBCM remains in effect. As part of the bond financing arrangement, OBCM, as lessor, is required to provide various reports with OBCE to the trustee.

The Bond Indenture requires OBCE to meet certain covenants. As of June 30, 2019 OBCE is in compliance with those covenants. The Bond Indenture also requires all of the participating schools to meet certain covenants. As of June 30, 2019 three of the schools did not meet the required debt service coverage ratio (DSCR). Unless waived by the owners of a majority of the principal amount of bonds outstanding, the school will be required to hire a management consultant to make recommendations with respect to increasing revenues, decreasing expenses or other financial matters of the school which are relevant to increasing the DSCR to at least 1.00 or 1.10.

IX. Risk Management

1. Property and Liability Insurance

OBCM 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 2019, OBCM 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

OBCM makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. There has been one claim filed by OBCM employees with the Ohio Workers' Compensation System between January 1, 2014 and June 30, 2019. There have not been any payments made for the claim. In the opinion of management, this claim will not have a material adverse effect on the overall financial position of OBCM as June 30, 2019.

3. Employee Medical, Dental, Vision and Life Benefits

OBCM provides medical, dental, vision and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by OBCM for the fiscal year is $113,877.

X. Defined Benefit Pension Plans

1. Net Pension Liability

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and OBCM 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

OBCM's contractually required contribution to SERS was $15,961 for fiscal year 2019.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (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. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. 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 DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. OBCM was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

OBCM's contractually required contribution to STRS was $107,262 for fiscal year 2019.

4. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. OBCM's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00539827%	0.00657486%	
Prior Measurement Date	0.00549748%	0.00643832%	
Change in Proportionate Share	-0.00009921%	0.00013654%	
Proportionate Share of the Net Pension Liability	$ 309,169	$ 1,445,663	$ 1,754,832
Pension Expense	$ 31,760	$ 127,112	$ 158,872

Deferred outflow/inflow 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 OBCM's proportion of the collective net pension liability. The deferred outflow and deferred inflow 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 outflow and deferred inflow 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, 2019 OBCM reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflow of Resources			
Differences between Expected and Actual Experience	$ 16,957	$ 33,373	$ 50,330
Changes of Assumptions	6,981	256,198	263,179
Changes in Proportion and Differences between OBCM Contributions and Proportionate Share of Contributions	22,363	102,895	125,258
OBCM Contributions Subsequent to the Measurement Date	15,961	107,262	123,223
Total Deferred Outflow of Resources	$ 62,262	$ 499,728	$ 561,990
Deferred Inflow of Resources			
Differences between Expected and Actual Experience	$ 0	$ 9,441	$ 9,441
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,567	87,666	96,233
Changes in Proportion and Differences between OBCM Contributions and Proportionate Share of Contributions	3,562	156,746	160,308
Total Deferred Inflow of Resources	$ 12,129	$ 253,853	$ 265,982

$123,223 reported as deferred outflow of resources related to pension resulting from OBCM contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 32,965	$ 114,150	$ 147,115
2021	13,981	76,230	90,211
2022	(10,146)	(37,917)	(48,063)
2023	(2,628)	(13,850)	(16,478)
	$ 34,172	$ 138,613	$ 172,785

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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of OBCM'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 OBCM's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what OBCM'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
OBCM's Proportionate Share of the Net Pension Liability	$ 435,488	$ 309,169	$ 203,259

6. Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Post-retirement mortality rates are based on 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 Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 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:

Asset Class	Target Allocation*	Long Term Expected Real 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 %	

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of OBCM's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents OBCM's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what OBCM'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
OBCM's Proportionate Share of the Net Pension Liability	$ 2,111,201	$ 1,445,663	$ 882,376

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

1. Net Other Post-Employment Benefits Liability/(Asset)

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

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

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

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, OBCM's surcharge obligation was $1,536.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. OBCM's contractually required contribution to SERS was $2,127 for fiscal year 2019. Of this amount $1,536 is reported as an accounts payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

4. OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. OBCM's proportion of the net OPEB asset/liability was based on OBCM'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:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.00522100%	0.00657486%	
Prior Measurement Date	0.00522544%	0.00643832%	
Change in Proportionate Share	-0.00000444%	0.00013654%	
Proportionate Share of the Net OPEB Liability/(Asset)	$ 144,845	$ (105,651)	$ 39,194
OPEB Expense	$ 10,052	$ (235,009)	$ (224,957)

At June 30, 2019, OBCM reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflow of Resources			
Differences between Expected and Actual Experience	$ 2,364	$ 12,340	$ 14,704
Changes in Proportion and Differences between OBCM Contributions and Proportionate Share of Contributions	10,275	4,867	15,142
OBCM Contributions Subsequent to the Measurement Date	2,127	0	2,127
Total Deferred Outflow of Resources	$ 14,766	$ 17,207	$ 31,973
Deferred Inflow of Resources			
Differences between Expected and Actual Experience	$ 0	$ 6,156	$ 6,156
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	217	12,070	12,287
Changes of Assumptions	13,012	143,958	156,970
Changes in Proportion and Differences between OBCM Contributions and Proportionate Share of Contributions	0	33,323	33,323
Total Deferred Inflow of Resources	$ 13,229	$ 195,507	$ 208,736

$2,127 reported as deferred outflow of resources related to OPEB resulting from

OBCM contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other 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:			
2020	$ 541	$ (32,681)	$ (32,140)
2021	298	(32,681)	(32,383)
2022	(477)	(32,682)	(33,159)
2023	(386)	(29,938)	(30,324)
2024	(401)	(28,981)	(29,382)
Thereafter	(165)	(21,337)	(21,502)
	$ (590)	$ (178,300)	$ (178,890)

5. Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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

The long-term expected rate of return on plan 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of OBCM's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
OBCM's Proportionate Share of the Net OPEB Liability	$ 175,758	$ 144,845	$ 120,367
	1% Decrease	**Current Trend Rate**	**1% Increase**
OBCM's Proportionate Share of the Net OPEB Liability	$ 116,863	$ 144,845	$ 181,897

6. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement

Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long Term Expected Real 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 %	

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

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

Discount Rate The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. 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 as of June 30, 2018. 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, 2018.

Sensitivity of OBCM's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/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. Also shown is the net OPEB liability/asset as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
OBCM's Proportionate Share of the Net OPEB Liability/(Asset)	$ (90,553)	$ (105,651)	$ (118,341)

	1% Decrease	Current Trend Rate	1% Increase
OBCM's Proportionate Share of the Net OPEB Liability/(Asset)	$ (117,624)	$ (105,651)	$ (93,492)

XII. Contingencies

1. Grants

OBCM 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 OBCM. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of OBCM at June 30, 2019.

2. School Foundation

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on OBCM for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of OBCM.

In addition, OBCM'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 OBCM from the State (See Note XIII). As discussed above, FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2019 financial statements, related to fee calculation changes necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, OBCM.

XIII. Sponsorship and Management Agreements

OBCM entered into an agreement with Buckeye Community Hope Foundation to provide sponsorship and oversight services as required by law. The agreement is effective September 18, 2005 and was amended to continue through June 30, 2020. Sponsorship fees are calculated as 3% of the Fiscal Year 2019 Foundation payments received by OBCM, from the State of Ohio. The total amount due from OBCM for fiscal year 2019 was $59,859, all of which was paid prior to June 30, 2019.

OBCM entered into an agreement with Constellation Schools to provide legal, financial, and business management services for fiscal year 2019. The agreement was for a period of one year, effective July 1, 2018. Management fees are calculated as 6.25% of the Fiscal Year 2019 Foundation payments received by OBCM from the State of Ohio plus a fixed fee of $122,500. The total amount due from OBCM for the fiscal year ending June 30, 2019 was $245,000 all of which was paid prior to June 30, 2019.

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the OBCM's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)						
OBCM's Proportion of the Net Pension Liability	0.00539827%	0.00549748%	0.00471338%	0.00476650%	0.00495689%	0.00495689%
OBCM's Proportionate Share of the Net Pension Liability	$ 309,169	$ 328,462	$ 344,976	$ 271,981	$ 250,865	$ 294,770
OBCM's Covered Payroll (2)	$ 174,733	$ 181,021	$ 170,479	$ 44,454	$ 66,190	$ 26,720
OBCM's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	176.94%	181.45%	202.36%	611.83%	379.01%	1103.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)						
OBCM's Proportion of the Net Pension Liability	0.00657486%	0.00643832%	0.00731063%	0.00657212%	0.00661944%	0.00661944%
OBCM's Proportionate Share of the Net Pension Liability	$ 1,445,663	$ 1,529,437	$ 2,447,088	$ 1,816,342	$ 1,610,077	$ 1,917,913
OBCM's Covered Payroll (2)	$ 747,193	$ 707,764	$ 760,143	$ 613,886	$ 575,808	$ 572,577
OBCM's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.48%	216.09%	321.92%	295.88%	279.62%	334.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

(2) Certain Consellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 through 2019 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

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

See accompanying notes to the required supplementary information.

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

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 15,961	$ 23,589	$ 25,343	$ 23,867
Contributions in Relation to the Contractually Required Contribution	(15,961)	(23,589)	(25,343)	(23,867)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
OBCM's Covered Payroll (1)	$ 118,230	$ 174,733	$ 181,021	$ 170,479
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 107,262	$ 104,607	$ 99,087	$ 106,420
Contributions in Relation to the Contractually Required Contribution	(107,262)	(104,607)	(99,087)	(106,420)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
OBCM's Covered Payroll (1)	$ 766,157	$ 747,193	$ 707,764	$ 760,143
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) Certain Consellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 through 2019 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

See accompanying notes to the required supplementary information.

	2015	2014	2013	2012	2011	2010
	$ 5,859	$ 9,174	$ 3,698	$ 4,162	$ 3,741	$ 3,559
	(5,859)	(9,174)	(3,698)	(4,162)	(3,741)	(3,559)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 44,454	$ 66,190	$ 26,720	$ 30,944	$ 29,761	$ 26,285
	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
	$ 85,944	$ 74,855	$ 74,435	$ 68,644	$ 69,799	$ 54,062
	(85,944)	(74,855)	(74,435)	(68,644)	(69,799)	(54,062)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 613,886	$ 575,808	$ 572,577	$ 528,031	$ 536,915	$ 415,862
	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the OBCM's Proportionate Share of the Net OPEB Liability/(Asset)
Last Three Fiscal Years (1)

	2019	2018	2017
School Employees Retirement System (SERS)			
OBCM's Proportion of the Net OPEB Liability	0.00522100%	0.00522544%	0.00440476%
OBCM's Proportionate Share of the Net OPEB Liability	$ 144,845	$ 140,237	$ 125,552
OBCM's Covered Payroll	$ 174,733	$ 181,021	$ 170,479
OBCM's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.90%	77.47%	73.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)			
OBCM's Proportion of the Net OPEB Liability/Asset	0.00657486%	0.00643832%	0.00731063%
OBCM's Proportionate Share of the Net OPEB Liability/Asset	$ (105,651)	$ 251,200	$ 390,974
OBCM's Covered Payroll	$ 747,193	$ 707,764	$ 760,143
OBCM's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.14%	35.49%	51.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/ Asset	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 2,127	$ 2,418	$ 1,050	$ 260
Contributions in Relation to the Contractually Required Contribution	(2,127)	(2,418)	(1,050)	(260)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
OBCM's Covered Payroll (2)	$ 118,230	$ 174,733	$ 181,021	$ 170,479
OPEB Contributions as a Percentage of Covered Payroll (1)	1.80%	1.38%	0.58%	0.15%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
OBCM's Covered Payroll (2)	$ 766,157	$ 747,193	$ 707,764	$ 760,143
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

(2) Certain Consellation Schools LLC employees are reported under one employer code with the state retirement systems. However, these employees provide services to all schools managed by Constellation Schools LLC. Therefore, it has been determined the payroll related to these employees should be allocated to each of the schools. Fiscal years 2016 through 2019 amounts have been updated, however, information was not available to update fiscal year 2015 and prior.

See accompanying notes to the required supplementary information.

	2015	2014	2013	2012	2011	2010
	$ 1,408	$ 1,125	$ 550	$ 813	$ 745	$ 476
	(1,408)	(1,125)	(550)	(813)	(745)	(476)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 44,454	$ 66,190	$ 26,720	$ 30,944	$ 29,761	$ 26,285
	3.17%	1.70%	2.06%	2.63%	2.50%	1.81%
	$ 0	$ 5,758	$ 5,726	$ 5,280	$ 5,369	$ 4,159
	0	(5,758)	(5,726)	(5,280)	(5,369)	(4,159)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 613,886	$ 575,808	$ 572,577	$ 528,031	$ 536,915	$ 415,862
	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to 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 Benefit Terms - SERS

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare

Fiscal year 2018	7.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent

Medicare

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

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS

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.

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

Constellation Schools: Old Brooklyn Community Middle
Cuyahoga County
4430 State Road
Cleveland, OH 44109

5730 Broadview Rd
Parma, OH 44134

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Constellation Schools: Old Brooklyn Community Middle, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

November 20, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CONSTELLATION SCHOOLS – OLD BROOKLYN COMMUNITY MIDDLE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 26, 2019