



Rea & associates *a brighter way*

Cornerstone Academy Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Directors
Cornerstone Academy
219 E. Maple St. Ste 202
North Canton, OH 44720

We have reviewed the *Independent Auditor's Report* of the Cornerstone Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2020

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**CORNERSTONE ACADEMY
FRANKLIN COUNTY, OHIO**

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December 22, 2019

To the Board of Trustees
Cornerstone Academy
Franklin County, Ohio
6025 East Walnut Street
Westerville, Ohio 43081

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Cornerstone Academy, Franklin County, Ohio, (the "Academy") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cornerstone Academy, Franklin 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2019 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Cambridge, Ohio

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CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)

The discussion and analysis of the Cornerstone Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2019. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

HIGHLIGHTS

The Academy finished its twelfth year of operations since emerging from a temporary voluntary suspension of operations during fiscal year 2007 serving Kindergarten through eighth grade. The Academy suspended operations during the period October 1, 2006 through June 30, 2007 and resumed operations July 1, 2007. Enrollment varied during fiscal year 2019 but ended with 794 students.

Key highlights for fiscal year 2019 are as follows:

- Net position increased \$1,118,068 as compared to an increase of \$2,486,845 in fiscal year 2018.
- Total revenue increased from \$6,176,949 in fiscal year 2018 to \$6,983,368 in fiscal year 2019.
- Operating expenses, not including interest increased from \$3,032,821 in fiscal year 2018 to \$5,228,881 in fiscal year 2019.

OVERVIEW OF FINANCIAL STATEMENTS

The financial report consists of three parts – required supplementary information, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and all liabilities, deferred inflows/ outflows of resources are included on the statement of net position. The statement of net position represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g. expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis. The following table represents the Academy's statement of net position at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets:		
Cash and Cash Equivalents	\$ 2,478,670	\$ 2,158,481
Escrow Assets	713,967	599,886
Accounts Receivable	-	140
Intergovernmental Receivable	148,244	34,999
Prepaid Expense	45,672	63,396
Total currents assets	<u>3,386,553</u>	<u>2,856,902</u>
Noncurrent assets:		
Capital Assets, net of Accumulated Depreciation	5,772,950	5,937,106
Non-Depreciable Capital Assets	1,018,700	1,018,700
Net OPEB Asset	255,070	-
Bond Reserve	830,180	823,954
Total noncurrent assets	<u>7,876,900</u>	<u>7,779,760</u>
Total assets	<u>11,263,453</u>	<u>10,636,662</u>
Deferred Outflows of Resources:		
Unamortized Deferred Charges on Bond Refinancing	334,897	349,849
Pension/OPEB	1,691,702	1,840,839
Total Deferred Outflows of Resources:	<u>2,026,599</u>	<u>2,190,688</u>
Liabilities:		
Current liabilities:		
Accounts Payable, Trade	60,256	88,575
Accounts Payable, Related Party	329,420	252,609
Accrued Interest Payable	308,712	308,712
Accrued Expenses	10,688	33,613
Current Portion of Long-Term Debt	210,000	495,674
Total current liabilities	<u>919,076</u>	<u>1,179,183</u>
Noncurrent liabilities:		
Net Pension Liability	4,079,106	4,126,705
Net OPEB Liability	292,630	848,798
Noncurrent Portion of Long-term Debt	10,337,637	10,552,100
Total noncurrent liabilities	<u>14,709,373</u>	<u>15,527,603</u>
Total liabilities	<u>15,628,449</u>	<u>16,706,786</u>
Deferred Inflows of Resources	<u>669,033</u>	<u>246,062</u>
Net Position		
Net Investment in Capital Assets	(2,366,326)	(2,366,735)
Restricted Net Position	489,383	349,130
Unrestricted Net Position	(1,130,487)	(2,107,893)
Total Net Position	<u>\$ (3,007,430)</u>	<u>\$ (4,125,498)</u>

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)

Cash and cash equivalents increased due to revenues exceeding expenses during the year from operations. The increase in State Aid receipts was due to the increase in enrollment. The \$114,081 increase in Escrow Assets was due to payments made into the account based on the bond agreements to cover future principal payments.

The Academy has adopted 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 other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)

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 asset/liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

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

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)

The following table shows the changes in net position for the following fiscal periods:

**Table 2
Change in Net Position**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
State Aid	\$ 5,973,294	\$ 5,288,603
Charge for Services	259,928	126,606
Miscellaneous	-	87,696
Total Operating Revenues	<u>6,233,222</u>	<u>5,502,905</u>
Operating Expenses:		
Purchased Services	4,714,607	2,586,245
Depreciation	278,173	137,391
Supplies	187,771	259,953
Other Operating Expense	48,330	49,232
Total Operating Expenses	<u>5,228,881</u>	<u>3,032,821</u>
Operating Income	1,004,341	2,470,084
Non-Operating Revenues and Expenses:		
Federal and State Restricted Grants	728,439	662,956
Interest Income	21,707	10,033
Interest Expense	(636,419)	(657,283)
Contributions and Donations	-	1,055
Net Nonoperating Revenues and Expenses	<u>113,727</u>	<u>16,761</u>
Change in Net Position	<u>\$ 1,118,068</u>	<u>\$ 2,486,845</u>

The \$684,691 increase in State Aid revenue is due to the increase in the number of students. Supplies expense decreased by \$72,182 in fiscal year 2019 is primarily due to the decreased spending. Purchased services increased based on increases in enrollment and the application of GASB 68/75 accruals on pension / OPEB expenses which is netted against purchased services.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

CAPITAL ASSETS

At June 30, 2019, the Academy had \$6,791,650 (net of accumulated depreciation) invested in capital assets. The following table summarizes Capital Asset activity for the fiscal year ended:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$1,018,700	\$1,018,700	\$ -
Buildings & Improvements	5,644,478	5,879,078	(234,600)
Leasehold Improvements	74,526	47,183	27,343
Computer Technology	6,581	10,845	(4,264)
Furniture & Equipment	47,365	-	47,365
	<u>\$6,791,650</u>	<u>\$6,955,806</u>	<u>(\$164,156)</u>

For further information regarding the Academy's capital assets, refer to Note 5 of the basic financial statements.

DEBT

At June 30, 2019, the Academy had total debt of \$10,547,637 which included two separate debt instruments:

One was the \$10,640,000 bond offering (listed net of premium) of which \$195,000 principal payments came due within one year. This bond debt was newly issued in July 2016 after refunding the 2012 bonds in order to take advantage of lower interest rates. The second is a note payable to Accel that was paid off in the current year.

For further information regarding the Academy's debt, refer to Note 6 to the basic financial statements.

OPERATIONS

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through eighth grade. The Academy is independent of any Academy district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact the Academy's Fiscal Officer, C. David Massa, CPA of Massa Financial Solutions, LLC at 6015 E. Walnut, Westerville, Ohio 43081.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Statement of Net Position

At June 30, 2019

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 2,478,670
Escrow Assets	713,967
Intergovernmental Receivable	148,244
Prepaid Expense	<u>45,672</u>
Total Current Assets	<u>3,386,553</u>

Noncurrent Assets:

Net OPEB Asset	255,070
Bond Reserve Account	830,180
Non-Depreciable Capital Assets	1,018,700
Capital Assets, net of Accumulated Depreciation	<u>5,772,950</u>
Total Noncurrent Assets	<u>7,876,900</u>

Total Assets 11,263,453

Deferred Outflows of Resources:

Unamortized Deferred Charges on Bond Refinancing	334,897
Pension (STRS & SERS)	1,555,874
OPEB (STRS & SERS)	<u>135,828</u>
Total Deferred Outflow of Resources	<u>2,026,599</u>

Liabilities:

Current Liabilities:

Accounts Payable, Trade	60,256
Accounts Payable, Related Party	329,420
Accrued Interest Payable	308,712
Accrued Expenses	10,688
Current Portion of Long Term Debt	<u>210,000</u>
Total Current Liabilities	<u>919,076</u>

Noncurrent Liabilities:

Net Pension Liability	4,079,106
Net OPEB Liability	292,630
Noncurrent Portion of Long-term Debt	<u>10,337,637</u>
Total Noncurrent Liabilities	<u>14,709,373</u>

Total Liabilities 15,628,449

Deferred Inflow of Resources:

Pension (STRS & SERS)	250,752
OPEB (STRS & SERS)	<u>418,281</u>
Total Deferred Inflow of Resources	<u>669,033</u>

Net Position:

Net Investment in Capital Assets	(2,366,326)
Restricted for Other Purpsoes	489,383
Unrestricted Net Position	<u>(1,130,487)</u>
Total Net Position	<u>\$ (3,007,430)</u>

See Accompanying Notes to the Basic Financial Statements

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019**

Operating Revenues:	
State Aid	\$ 5,973,294
Charges for Services	259,928
Total Operating Revenues	<u>6,233,222</u>
Operating Expenses:	
Purchased Services	4,714,607
Depreciation	278,173
Supplies	187,771
Other Operating Expenses	48,330
Total Operating Expenses	<u>5,228,881</u>
Operating Income	1,004,341
Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	728,439
Interest Income	21,707
Bond Interest Expense	(633,658)
Interest Expense	(2,761)
Net Non-operating Revenues and (Expenses)	<u>113,727</u>
Change in Net Position	1,118,068
Net Position Beginning of Year	<u>(4,125,498)</u>
Net Position End of Year	<u>\$ (3,007,430)</u>

See Accompanying Notes to the Basic Financial Statements

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

State Aid Receipts	\$ 5,974,113
Charge for Services	259,928
Cash Payments to Suppliers for Goods and Services	<u>(5,183,517)</u>
Net Cash Provided By Operating Activities	<u>1,050,524</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Facility Bond Interest Payments	(633,658)
Facility Bond Principal Payments	(195,000)
Increase in Escrow/Bond Reserve Accounts	(120,307)
Note Payable Principal Payments	(300,674)
Note Payable Interest Payments	(2,761)
Interest Income Receipts	21,707
Federal and State Grant Receipts	<u>614,374</u>
Net Cash Used For Noncapital Financing Activities	<u>(616,318)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	<u>(114,016)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(114,016)</u>

Net Increase in Cash and Cash Equivalents 320,189

Cash and Cash Equivalents - Beginning of the Year	<u>2,158,481</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 2,478,670</u>

See Accompanying Notes to the Basic Financial Statements

(Continued)

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
(Continued)**

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating Income \$ 1,004,341

**Adjustments to Reconcile Operating Income to
Net Cash Provided By Operating Activities:**

Depreciation 278,173

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

Increase in Receivables (3,504)

Decrease in Deferred Outflows 164,089

Increase in Deferred Inflows (Pension/ OPEB) 422,971

(Decrease) in Net Pension Liability (47,599)

Decrease in Prepaid Expense 17,724

Decrease in Net OPEB Liability (556,168)

Decrease in Accounts Payable, Trade (28,319)

Increase in Accounts Payable, Related Party 76,811

(Decrease) in Accrued Expenses (22,925)

(Increase) in Net OPEB Asset (255,070)

Net Cash Provided By Operating Activities \$ 1,050,524

See Accompanying Notes to the Basic Financial Statements

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – DESCRIPTION OF ACADEMY

The Cornerstone Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314. The Academy offers education for Ohio children in kindergarten and grades 1 through 8. The Academy is independent of any Academy district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is a federally recognized 501(c)(3) nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702.

The Academy was approved for operation under contract with the Ohio State Board of Education commencing on July 1, 2000. The Academy began the 2005-06 fiscal year under a contract with the St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2011. In June of 2011, the Sponsor renewed the charter contract for five academic years ending June 30, 2016. In June of 2016, the Sponsor again renewed the charter contract for five academic years ending 30, 2021. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an academy for the Governing Board. The Board is responsible for carry out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

The Academy contracts with Accel Schools for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - The Academy’s basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus - The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets/ deferred outflows of resources and liabilities/ deferred inflows of resources associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

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

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

Cash and Cash Equivalents - Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. The Academy had no investments during the period ended June 30, 2019.

Capital Assets - The Academy's capital assets during the year ended June 30, 2019 consisted of land, building and improvements, leasehold improvements, computer technology, furniture and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

All capital assets, except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Buildings and Improvements	30 years
Leasehold Improvements	15 years
Computer Technology	5 years
Furniture and Equipment	5-20 years

Net position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At June 30, 2019, the Academy reported \$489,383 in restricted net position for cash in escrow and reserve accounts, net of related debt for future principal payments and (\$2,366,326) of net position invested in capital assets, net of accumulated depreciation and net of related debt.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Deferred Inflows and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for deferred charges, pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When utilizing accrual basis of accounting, unamortized deferred charges on debt refinancing are reported as a deferred outflow of resources. Deferred charges on refunding result from the difference in the carrying value of refunded debt to its acquisition price. This amount is deferred and amortized over the shorter period of the life of the refunded debt or of the refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Note 9 and 10)

Pensions/Other Postemployment Benefits (OPEB) – For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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 those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Academy classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit, and Investment Risk Disclosures”.

The Academy maintains its cash balances at Huntington Bank in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2019, the book amount of the Academy’s deposits was \$2,478,670 and the bank balance was \$2,506,024.

\$250,000 of the bank balance was covered by Federal depository insurance, while \$2,256,024 was uninsured and exposed to custodial credit risk. There are no significant statutory restrictions regarding deposit and investment of Funds by the Academy.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 - CASH AND CASH EQUIVALENTS – (continued)

Custodial credit risk is the risk that, in the event of a bank failure, the Academy’s deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. All bank deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral as permitted by the Ohio Revised Code, is held in single financial collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 4 - RECEIVABLES

At June 30, 2019, the Academy had intergovernmental receivables in the amount of \$148,244 representing monies due from State Foundation payment, Title I, IDEA and a Food Service Equipment Grants, which was not received as of year-end. The receivables are expected to be collected within one year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the period July 1, 2018 to June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets				
Land (not depreciated)	\$ 1,018,700	\$ -	\$ -	\$ 1,018,700
Buildings and Improvements	7,185,192	-	-	7,185,192
Leasehold Improvements	76,659	37,854	-	114,513
Computer Technology	157,259	17,229	-	174,488
Furniture & Equipment	240,632	58,933	-	299,565
Total Capital Assets	<u>8,678,442</u>	<u>114,016</u>	<u>-</u>	<u>8,792,458</u>
Less: Accumulated Depreciation				
Buildings and improvements	(1,306,114)	(234,600)	-	(1,540,714)
Leasehold Improvements	(29,476)	(10,511)	-	(39,987)
Computer Technology	(146,414)	(21,493)	-	(167,907)
Furniture & Equipments	(240,632)	(11,568)	-	(252,200)
Total Accumulated Depreciation	<u>(1,722,636)</u>	<u>(278,172)</u>	<u>-</u>	<u>(2,000,808)</u>
Capital Assets, Net	<u>\$ 6,955,806</u>	<u>\$ (164,156)</u>	<u>\$ -</u>	<u>\$ 6,791,650</u>

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in the Academy’s long-term obligations during fiscal year 2019 were as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
<u>Net Pension/OPEB Liability:</u>					
Net Pension Liability	\$ 4,126,705	\$ -	\$ (47,599)	\$ 4,079,106	\$ -
Net OPEB Liability	848,798	-	(556,168)	292,630	-
Total Net Pension/OPEB Liability	<u>4,975,503</u>	<u>-</u>	<u>(603,767)</u>	<u>4,371,736</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>					
Direct Placement:					
Revenue Bonds - Series A 2016	9,715,000	-	-	9,715,000	-
Revenue Bonds - Series B 2016	925,000	-	(195,000)	730,000	210,000
Add: Bond Premium	107,100	-	(4,463)	102,637	
Direct Borrowing:					
Notes Payable - Accel	300,674	-	(300,674)	-	-
Total Other Long-term Obligations	<u>11,047,774</u>	<u>-</u>	<u>(500,137)</u>	<u>10,547,637</u>	<u>210,000</u>
Total Long-term Obligations	<u>\$ 16,023,277</u>	<u>\$ -</u>	<u>\$ (1,103,904)</u>	<u>\$ 14,919,373</u>	<u>\$ 210,000</u>

Revenue Bonds - In July 2012, the Academy issued Revenue Bonds totaling \$10,140,000, with an underwriter’s discount of \$228,150 and an original issue discount of \$187,639, with the Columbus-Franklin County Finance Authority. Under the terms of the bond agreement the Authority acquired the property at that time. The properties are leased back to the Academy through annual lease renewals through July 2042. In July 2016, the Academy refinanced the bonds at a premium, to realize savings from lower interest rates. The outstanding principal balance as of June 30, 2019 is \$10,445,000 (excluding premium) and interest payable of \$308,712. There are no prepayment penalties associated with the bond.

The reacquisition price exceeded the net carrying amount of the 2012 debt by \$378,579. The loss on refinancing is reported as “unamortized charges on bond refinancing”.

The bonds were issued in two Series as follows:

Series A: Tax exempt redeemable lease revenue bonds totaling \$9,715,000. The Series A bears interest at 5.75%. Annual payments are interest only through fiscal 2022. Thereafter, monthly principal payments are required until maturity in July 2042.

Series B: Taxable redeemable lease revenue bonds totaling \$925,000. The Series B bears interest at 5.25%. Annual payments are interest only through fiscal 2018. Thereafter, monthly principal payments are required until maturity in July 2022.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

The Academy's lease obligations meet the criteria of a capital lease as defined by the Standards and have been recorded in the financial statements. Land, Building, and Building Improvements are being depreciated over the useful life. Improvements were completed during the fiscal year.

Both the Series A and Series B require the Academy to comply with certain financial covenants including the requirement to maintain a certain amount of operating cash on hand, debt coverage ratio, and financial statement filing deadline. As of June 30, 2019, the Academy is in compliance with those covenants. In the event of default under these covenants, the Academy must hire a management consultant to make recommendations to improve the financial health of the Academy. Regardless if the Academy has retained a management consultant, any year in which the Academy does not meet certain covenants, the bond Trustee shall give notice to the bond holders and exercise one or more remedies as permitted. The bond Trustee may foreclose the property in which sale proceeds will be applied to the redemption amounts. The bonds are secured by the facility and a guaranty by Accel Schools, LLC (see Note 14), and required the forgiveness of accounts payable, related party, for amounts owed Accel Schools, LLC. for back rent. In addition, the Academy entered into a state Academy aid direction whereby the Academy directs the Ohio Department of Education to deposit the gross revenues into an account held by the bond Trustee, and shall be paid out in order of priority, a) transferred to debt service account and or redemption account to satisfy overdue and unpaid obligations, b) scheduled bond payments, c) replenish debt service fund, d) pay additional rent or make further payments, e) deposit to repair and replacement account to the extent available \$2,500 per month not to exceed \$27,500 per year, until the reserve balance is \$275,000.

As part of the agreement for the leases, monies were deposited into several escrow accounts with US Bank, N.A. Payments for construction and financing activities have been paid from these accounts. Lease payments were made by the Academy to cover Bond interest and administrative fees due in January and July 2014 and to make deposits in reserve accounts. Funds were deposited from the initial bond proceeds into an operating reserve and a reserve fund for future operating and debt service needs. A supplemental reserve, to be used for future debt service is funded by payments of the base lease payment for the full bond term. The balances of the escrow and reserve accounts as of June 30, 2019 were \$713,967 and \$830,180 respectively. The assets acquired through the capital lease as of June 30, 2019 were Land of \$1,018,700 and Buildings and Improvements of \$7,185,192. Accumulated depreciation on the buildings and improvements to date totaled \$1,540,714. Interest in the amount of \$633,658 was paid during fiscal year 2019 on the bonds.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

The balances of the bond escrow and reserve accounts as of June 30, 2019 are as follows:

Reserve Fund	\$ 830,180
Total Reserve Fund	\$ 830,180
Repair and Replacement Fund	\$ 86,610
State Aid Intercept Account	76,768
Bond Interest Fund	302,119
Debt Service Principal Account	210,000
Project Fund	35,581
Refunding Account	2,889
Total Escrow Accounts	\$ 713,967

The following is a schedule of remaining debt service on these obligations:

	Revenue		Total Debt Service
	Bond Series A & B		
	Principal	Interest	
2020	\$ 210,000	\$ 591,112	\$ 801,112
2021	225,000	577,050	802,050
2022	235,000	562,362	797,362
2023	250,000	547,688	797,688
2024	265,000	532,450	797,450
2025-2029	1,580,000	2,399,762	3,979,762
2030-2034	2,085,000	1,861,851	3,946,851
2035-2039	2,755,000	1,151,152	3,906,152
2040-2042	2,840,000	256,450	3,096,450
Total	\$ 10,445,000	\$ 8,479,877	\$ 18,924,877

Note Payable - In 2010, the Academy executed a \$1,238,877 promissory note payable to Mosaica Education, Inc., a related party (see note 14), to finance outstanding invoices for services and/or reimbursable expenses over a multi-year term at a fixed interest rate of 7.0%. This note was cancelled and reissued with a date of June 30, 2012. The interest rate remained the same. Quarterly installments were due beginning September 15, 2012 and continue through maturity on June 30, 2027. The note was subsequently cancelled by Accel Schools, LLC., in July 2015 and a note a was reissued in the amount of \$500,000 for a 30-year term with an interest rate of 4.0%. The Academy began making principal payments in fiscal year 2018. Total payments throughout the year were \$300,674 of principal and \$2,761 of interest. This note was paid in full during the fiscal year.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RISK MANAGEMENT

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Academy contracted with Brown & Brown of Marmora through The Hartford for property and general liability insurance.

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Buildings	6,950,000
Business Personal Property	607,800
Excess/Umbrella Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in the prior three years and there have been no significant reductions in insurance coverage from the prior year.

Workers' Compensation - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Other Employee Benefits - The Academy provides life insurance and accidental death and dismemberment, medical/surgical, dental and vision insurance to most employees through School Employees' Health and Welfare Benefits Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 – PURCHASED SERVICES

For fiscal year ended June 30, 2019, purchased service expenses were for the following services:

<u>Purchased Services</u>	<u>Amount</u>
Personnel Services	\$ 2,959,373
Professional Services	1,192,571
Property Services	192,114
Utilities	78,170
Travel & Meetings	2,660
Communications	32,142
Contractual Trade	253,538
Pupil Transportation	4,039
Total	<u><u>\$4,714,607</u></u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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 the Academy’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 the Academy’s obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy 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

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability – continued

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* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued expenses* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy 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 the Academy 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.

The Academy’s contractually required contribution to SERS was \$54,863 for fiscal year 2019.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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.

Plan Description - State Teachers Retirement System (STRS) – continued

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The Academy 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.

The Academy's contractually required contribution to STRS was \$309,406 for fiscal year 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows 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. The Academy'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:

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.00975450%	0.01491839%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.01028260%</u>	<u>0.01587339%</u>	
Change in Proportionate Share	<u>0.00052810%</u>	<u>0.00095500%</u>	
Proportionate Share of the Net Pension			
Liability	588,903	3,490,203	4,079,106
Pension Expense	119,725	486,915	606,640

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

At June 30, 2019 the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	32,296	80,563	112,859
Changes of assumptions	13,300	618,529	631,829
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	68,873	378,044	446,917
Academy contributions subsequent to the measurement date	<u>54,863</u>	<u>309,406</u>	<u>364,269</u>
 Total Deferred Outflows of Resources	 <u><u>169,332</u></u>	 <u><u>1,386,542</u></u>	 <u><u>1,555,874</u></u>
	-	-	
Deferred Inflows of Resources			
Differences between expected and actual experience	-	22,793	22,793
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	16,316	211,643	227,959
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>-</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u><u>16,316</u></u>	 <u><u>234,436</u></u>	 <u><u>250,752</u></u>

\$364,269 reported as deferred outflows of resources related to pension resulting from Academy 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	91,765	457,716	549,481
2021	30,719	299,316	330,035
2022	(19,326)	95,386	76,060
2023	(5,005)	(9,718)	(14,723)
-	-	-	-
-	-	-	-
Total	98,153	842,700	940,853

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS – continued

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:

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

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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 the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Academy’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$829,515	\$588,903	\$387,167

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS – continued

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

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	\$5,096,981	\$3,490,203	\$2,130,282

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Asset/Liability

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 the Academy'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 the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which OPEB are financed; however, the Academy 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy 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, the Academy's surcharge obligation was \$7,332.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$9,364 for fiscal year 2019.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 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.

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

The net OPEB asset/liability was measured as of June 30, 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. The Academy's proportion of the net OPEB asset/liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.00993900%	0.01491839%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.01054800%</u>	<u>0.01587339%</u>	
Change in Proportionate Share	<u>0.00060900%</u>	<u>0.00095500%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	292,630	(255,070)	37,560
OPEB Expense	22,723	(542,459)	(519,736)

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 4,777	\$ 29,792	\$ 34,569
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	32,328	59,567	91,895
Academy contributions subsequent to the measurement date	<u>9,364</u>	<u>-</u>	<u>9,364</u>
Total Deferred Outflows of Resources	<u>\$ 46,469</u>	<u>\$ 89,359</u>	<u>\$ 135,828</u>
	-	-	
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 14,861	\$ 14,861
Changes of assumptions	26,291	347,552	373,843
Net difference between projected and actual earnings on OPEB plan investments	438	29,139	29,577
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 26,729</u>	<u>\$ 391,552</u>	<u>\$ 418,281</u>

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

\$9,364 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	1,434	(53,990)	(52,556)
2021	1,579	(53,990)	(52,411)
2022	2,041	(53,989)	(51,948)
2023	2,229	(47,370)	(45,141)
2024	2,197	(45,049)	(42,852)
Thereafter	896	(47,805)	(46,909)
Total	10,376	(302,193)	(291,817)

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

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions – SERS – continued

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, 2026. 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, 2025 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions – SERS – continued

Sensitivity of the Academy'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 (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Academy's proportionate share of the net OPEB liability	\$355,084	\$292,630	\$243,179

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	\$236,099	\$292,630	\$367,488

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions – STRS – continued

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:

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

*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 the Academy'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 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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions – STRS – continued

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	\$218,618	\$255,070	\$285,705
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$283,975	\$255,070	\$225,713

NOTE 11 - CONTINGENCIES

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally 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 the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2019.

Litigation - There are currently no matters in litigation with the Academy as defendant.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2019.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11 – CONTINGENCIES (continued)

As of the date of this report, all ODE adjustments have been completed.

In addition, the School's contract with their Sponsor and management company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2019 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

NOTE 12 – BUILDING LEASE

In September 2008, the Academy entered into a lease agreement with Mosaica Columbus LLC, an affiliated company of Mosaica Education, Inc. for the use of a Academy facility located at 6015 East Walnut Street, Westerville, OH. In July 2012, the Academy purchased the building from Mosaica Education, Inc. Pursuant to this transaction, the lease agreement between the Academy and Mosaica Education, Inc. was terminated.

In accordance with the bond transaction (see Note 6), the Academy entered into a lease agreement with Columbus–Franklin County Finance Authority dated July 1, 2016. The purpose of this lease was to facilitate the bond financing. The rent payments pursuant to this lease will be applied to the debt service of the bonds. The lease is subject to annual renewal at the option of the Academy and has successive one-year terms for a total of 30 years.

NOTE 13 - SPONSOR

The Academy was approved for operation under a contract renewal with St. Aloysius Orphanage (the Sponsor) for a period of five academic years commencing June 30, 2016. As part of this contract, the Sponsor is entitled to a maximum of 3% of the foundation funds received by the Academy from the state. Total amount due and paid for year ended June 30, 2019 was \$172,752.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14 – MANAGEMENT COMPANY AND MANAGEMENT COMPANY EXPENSES

The Academy entered into an agreement with Accel Schools, a management company, to provide legal, financial, and other management support services for fiscal year 2019. The agreement was for a period of five years beginning July 1, 2016. Management fees are calculated as 12.5% of the Academy’s State Revenue, plus \$20,000 for managing Federal Funds. The total amount due from the Academy for the fiscal year ending June 30, 2019 was \$742,258 and is included under “Purchased Services” on the Statement of Revenues, Expenses and Changes in Net Position.

Also, per the management agreement, there are expenses that were billed to the Academy based on the actual costs incurred by Accel Schools. These include the costs of providing education and other administrative services to the Schools, as well as interest expense. The total amount billed to the Academy inclusive of management fees during the year was \$2,802,405.

The following table is a summary of the management company expenses during fiscal year 2019:

Cornerstone Academy	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Total
	1,100	1,200	2,000	
<i>Direct Expenses:</i>				
Salaries & Wages (100 Object Codes)	1,817,001	182,995	459,890	2,459,886
Employees’ Benefits (200 Object Codes)	413,263	16,939	68,998	499,199
Professional & Technical Services (410 Object Codes)			29,718	29,718
Supplies (510 Object Codes)	24,506		6,854	31,360
Other Direct Costs (All Other Object Codes)	9,548			9,548
Total Direct Expenses	2,264,318	199,934	565,459	3,029,711
<i>Indirect Expenses:</i>				
Overhead			679,145	679,145
Total Expenses	2,264,318	199,934	1,244,604	3,708,857

Accel Schools charges expenses benefiting more than one Academy (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2019 by each Academy it manages.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 15 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, the Academy 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 Academy.

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.0102826%	0.0097545%	0.0086012%	0.0073924%	0.000576%	0.000576%
Academy's Proportionate Share of the Net Pension Liability	\$ 588,903	\$ 582,809	\$ 629,528	\$ 421,818	\$ 291,460	\$ 342,469
Academy's Covered Payroll	\$ 363,422	\$ 294,543	\$ 314,771	\$ 22,253	\$ 169,026	\$ 245,520
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	162.04%	197.87%	200.00%	1895.52%	172.44%	139.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01587339%	0.01491839%	0.01424989%	0.01374776%	0.01269290%	0.01269290%
Academy's Proportionate Share of the Net Pension Liability	\$ 3,490,203	\$ 3,543,896	\$ 4,769,868	\$ 3,799,479	\$ 3,087,353	\$ 3,677,634
Academy's Covered Payroll	\$ 1,804,536	\$ 1,640,093	\$ 1,514,186	\$ 1,434,350	\$ 1,396,623	\$ 1,090,185
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.41%	216.08%	315.01%	264.89%	221.06%	337.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of Academy Contributions - Pension
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 54,863	\$ 49,062	\$ 41,236	\$ 44,068	\$ 2,933	\$ 23,427	\$ 33,980	\$ 31,680	\$ 31,680	\$ 27,018
Contributions in Relation to the Contractually Required Contribution	<u>(54,863)</u>	<u>(49,062)</u>	<u>(41,236)</u>	<u>(44,068)</u>	<u>(2,933)</u>	<u>(23,427)</u>	<u>(33,980)</u>	<u>(31,680)</u>	<u>(31,680)</u>	<u>(27,018)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Academy Covered Payroll	\$ 406,393	\$ 363,422	\$ 294,543	\$ 314,771	\$ 22,253	\$ 169,026	\$ 245,520	\$ 235,539	\$ 252,029	\$ 199,542
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of Academy Contributions - Pension
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 309,406	\$ 252,635	\$ 229,613	\$ 211,986	\$ 200,809	\$ 181,561	\$ 141,724	\$ 128,848	\$ 114,573	\$ 85,366
Contributions in Relation to the Contractually Required Contribution	(309,406)	(252,635)	(229,613)	(211,986)	(200,809)	(181,561)	(141,724)	(128,848)	(114,573)	(85,366)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academy Covered Payroll	\$ 2,210,043	\$ 1,804,536	\$ 1,640,093	\$ 1,514,186	\$ 1,434,350	\$ 1,396,623	\$ 1,090,185	\$ 991,138	\$ 881,331	\$ 656,662
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.0105480%	0.0099390%	0.0087350%
Academy's Proportionate Share of the Net OPEB Liability	\$ 292,630	\$ 266,737	\$ 248,981
Academy's Covered Payroll	\$ 363,422	\$ 294,543	\$ 314,771
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.52%	90.56%	79.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB Asset/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2019	2018	2017
Academy's Proportion of the Net OPEB Liability/Asset	0.01587339%	0.01491839%	0.01424989%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (255,070)	\$ 582,061	\$ 762,088
Academy's Covered Payroll	\$ 1,804,536	\$ 1,640,093	\$ 1,514,186
Academy's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.13%	35.49%	50.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of Academy Contributions - OPEB
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution (1)	\$ 9,364	\$ 8,032	\$ 6,462	\$ 4,500	\$ 182	\$ 1,272	\$ 1,979	\$ 1,374	\$ 3,236	\$ 1,060
Contributions in Relation to the Contractually Required Contribution	<u>(9,364)</u>	<u>(8,032)</u>	<u>(6,462)</u>	<u>(4,500)</u>	<u>(182)</u>	<u>(1,272)</u>	<u>(1,979)</u>	<u>(1,374)</u>	<u>(3,236)</u>	<u>(1,060)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Academy Covered Payroll	\$ 406,393	\$ 363,422	\$ 294,543	\$ 314,771	\$ 22,253	\$ 169,026	\$ 245,520	\$ 235,539	\$ 252,029	\$ 199,542
OPEB Contributions as a Percentage of Covered Payroll (1)	2.30%	2.21%	2.19%	1.43%	0.82%	0.75%	0.81%	0.58%	1.28%	0.53%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

Required Supplementary Information
 Schedule of Academy Contributions - OPEB
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,966	\$ 10,902	\$ 9,911	\$ 8,813	\$ 6,567
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,966)</u>	<u>(10,902)</u>	<u>(9,911)</u>	<u>(8,813)</u>	<u>(6,567)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$ 2,210,043	\$ 1,804,536	\$ 1,640,093	\$ 1,514,186	\$ 1,434,350	\$ 1,396,623	\$ 1,090,185	\$ 991,138	\$ 881,331	\$ 656,662
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 4.00 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
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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.

CORNERSTONE ACADEMY - FRANKLIN COUNTY, OHIO

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - NET OPEB LIABILITY (Continued)

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.

December 22, 2019

To the Board of Trustees
Cornerstone Academy
Franklin County, Ohio
6025 East Walnut Street
Westerville, Ohio 43081

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cornerstone Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Cambridge, Ohio

OHIO AUDITOR OF STATE KEITH FABER



CORNERSTONE ACADEMY

FRANKLIN 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
FEBRUARY, 4 2020**