

CONSTELLATION SCHOOLS:
LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025





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Columbus, Ohio 43215
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Board of Directors
Constellation Schools: Lorain Community Middle
1110 W 4th Street
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Constellation Schools: Lorain Community Middle, Lorain County, prepared by Rea & Associates, Inc., for the audit period July 1, 2024 through June 30, 2025. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

February 26, 2026

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**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Constellation Schools: Lorain Community Middle
Lorain County, Ohio
1110 W 4th Street
Lorain, Ohio 44052

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Constellation Schools: Lorain Community Middle, Lorain County, Ohio, (the "School"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Constellation Schools: Lorain Community Middle, Lorain County, Ohio, as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 9, 2025 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Independence, Ohio
December 9, 2025

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CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

The discussion and analysis of Constellation Schools: Lorain Community Middle (LCM) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the financial performance of LCM as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of LCM.

Financial Highlights

Key financial highlights for 2025 include the following:

- In total, net position increased \$463,670 from 2024.
- Total assets and deferred outflow of resources totaled \$2,121,630.
- Liabilities and deferred inflow of resources totaled \$823,657.
- Operating revenues totaled \$1,140,240.
- Expenses totaled \$1,020,318.
- Non-operating revenues totaled \$343,748.

Using this Financial Report

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

Statement of Net Position

The Statement of Net Position looks at how well LCM has performed financially through June 30, 2025. This statement includes all of the assets, deferred outflow of resources, liabilities, deferred inflow of resources and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary Statement of Net Position for fiscal years ended June 30, 2025 and 2024 for LCM.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

	2025	2024
Assets and Deferred Outflow of Resources		
Cash	\$ 1,928,976	\$ 1,730,475
Other Current Assets	32,101	48,506
Net OPEB Assets	36,055	36,059
Capital Assets, Net	16,077	29,506
Deferred Outflow of Resources	108,421	122,656
Total Assets and Deferred Outflow of Resources	2,121,630	1,967,202
Liabilities and Deferred Inflow of Resources		
Current Liabilities	68,324	199,377
Long-Term Liabilities	446,959	574,680
Deferred Inflow of Resources	308,374	358,842
Total Liabilities and Deferred Inflow of Resources	823,657	1,132,899
Net Position		
Invested in Capital Assets	16,077	29,506
Unrestricted	1,281,896	804,797
Total Net Position	\$ 1,297,973	\$ 834,303

Cash increased during the year from operations. Other current assets decreased during the year due to a decrease in intergovernmental receivables. Current liabilities decreased during the year due to the accounts payables decreasing offset by increases in accrued expenses. In addition, long term liabilities, deferred outflows/inflows of resources fluctuated due to changes fluctuations of accruals related to GASB 68/75.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2025.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for LCM for fiscal years ended June 30, 2025 and 2024.

	2025	2024
Revenues		
State Aid	\$ 1,140,240	\$ 1,177,218
Other Operating Revenues	-	290
Total Operating Revenues	<u>1,140,240</u>	<u>1,177,508</u>
Federal and State Grants	266,192	571,719
Interest Income	77,556	66,441
Total Non-Operating Revenues	<u>343,748</u>	<u>638,160</u>
Total Revenues	<u>1,483,988</u>	<u>1,815,668</u>
Expenses		
Salaries	290,693	292,214
Fringe Benefits	(66,384)	(58,538)
Purchased Services	716,695	1,142,787
Materials and Supplies	61,810	51,092
Depreciation	13,428	13,428
Other Expenses	4,076	11,449
Total Expenses	<u>1,020,318</u>	<u>1,452,432</u>
Changes in Net Position	<u>463,670</u>	<u>363,236</u>
Net Position: Beginning of the Year	<u>834,303</u>	<u>471,067</u>
Net Position: End of Year	<u>\$ 1,297,973</u>	<u>\$ 834,303</u>

The most significant change in revenues include a decrease in federal and state grants due a reduction in federal grant allocations. Noted expense changes are decreases in purchased services related to the decrease in outsourced staffing needs, a decrease of fringe benefits due to the changes in accruals related to GASB 68/75. All other expense and revenue categories remained consistent with the prior year due steady enrollment.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

Capital Assets

As of June 30, 2025, LCM had \$16,077 invested in technology and software and furniture and equipment, net of depreciation. This is a \$13,428 decrease from June 30, 2024. For more information on capital assets see the Notes to the Financial Statements (See Note 5).

Long-Term Obligations

At June 30, 2025, LCM had no outstanding long-term obligations.

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

The net pension and OPEB liability is the largest single liability reported by LCM at June 30, 2025 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pension and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of LCM's actual financial condition by adding deferred inflow related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflow related to pension and OPEB and net OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal LCM'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.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

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

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

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

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

There was a significant change in net pension / OPEB liability / asset for LCM. The fluctuations are due to changes in the actuarial liabilities / assets and related accruals that are passed through to LCM'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.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2025

(Unaudited)

Current Financial Issues

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, other State and Federal funds as its primary source of revenue. In 2022, the State replaced the existing funding formula with a new formula that was implemented in January 2022 as a result of changes in Ohio law under the passage of HB110. Under the new formula, community schools are funded directly with no deductions or transfers from the student's district of residence. The funding calculation for community schools uses several concepts and formulas, some of which also apply to traditional school districts. These primarily include Base Cost, Special Education, Disadvantaged Pupil Impact Aid, English Learners and Career Technical Education. Combined, these elements make up the Core Foundation Funding and the change in calculated amounts compared to the funding received in Fiscal Year 2020 are being phased-in at 16.67% per year until fully implemented. In June 2025, the State Legislature passed the 26-27 biennial budget which included the continued phase-in of the new formula, reaching full implementation in Fiscal Year 2027.

In addition, facility funding remained the same as the last budget cycle and the student equity grant was reduced from \$650 per student to \$500 per student for Fiscal Year 2026. Most all schools had liquidated their remaining ESSER funds during (or prior to) Fiscal Year 2025. Moving forward, all schools will need to continue to be vigilant about growing enrollment and monitoring expenses in order to build sustainable budgets for the future.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for LCM and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact the School's Fiscal Officer, C. David Massa, CPA at 5730 Broadview Road, Parma, Ohio 44134.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE - LORAIN COUNTY, OHIO

Statement of Net Position

June 30, 2025

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 1,928,976
Prepaid Expenses	21,507
Intergovernmental Receivable	<u>10,594</u>
Total Current Assets	<u><u>1,961,077</u></u>

Noncurrent Assets:

Net OPEB Asset	36,055
Capital Assets, net of Accumulated Depreciation	<u>16,077</u>
Total Non-Current Assets	<u><u>52,132</u></u>

Total Assets	2,013,209
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Deferred Outflows of Resources:

Pension (STRS & SERS) Outflows	94,115
OPEB (STRS & SERS) Outflows	<u>14,306</u>
Total Deferred Outflows of Resources	<u><u>108,421</u></u>

Liabilities:

Current Liabilities:

Accrued Wages and Benefits	24,124
Accounts Payable, Related Party	14,852
Accounts Payable	3,243
Accrued Expenses	<u>26,105</u>
Total Current Liabilities	<u><u>68,324</u></u>

Noncurrent Liabilities:

Net Pension Liability	433,260
Net OPEB Liability	<u>13,699</u>
Total Noncurrent Liabilities	<u><u>446,959</u></u>

Total Liabilities	515,283
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Deferred Inflows of Resources:

Pension (STRS & SERS)	197,358
OPEB (STRS & SERS)	<u>111,016</u>
Total Deferred Inflows of Resources	<u><u>308,374</u></u>

Net Position:

Invested in Capital Assets	16,077
Unrestricted Net Position	<u>1,281,896</u>
Total Net Position	<u><u>\$ 1,297,973</u></u>

See Accompanying Notes to the Basic Financial Statements

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE - LORAIN COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

Operating Revenues:	
State Aid	\$ 1,140,240
Total Operating Revenues	<u>1,140,240</u>
Operating Expenses:	
Salaries	290,693
Fringe Benefits	(66,384)
Purchased Services	716,695
Depreciation	13,428
Supplies	61,810
Other Operating Expenses	<u>4,076</u>
Total Operating Expenses	1,020,318
 Operating Income (Loss)	 119,922
Non-Operating Revenues:	
Federal and State Restricted Grants	266,192
Interest Income	<u>77,556</u>
Total Non-operating Revenues	<u>343,748</u>
 Change in Net Position	 463,670
 Net Position - Beginning of Year	 <u>834,303</u>
Net Position - End of Year	<u><u>\$ 1,297,973</u></u>

See Accompanying Notes to the Basic Financial Statements

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE - LORAIN COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

State Aid Receipts	\$ 1,140,240
Cash Payments to Employees for Services	(292,621)
Cash Payments for Employee Benefits	(96,449)
Cash Payments to Suppliers for Goods and Services	(908,171)
Net Cash Provided By (Used For) Operating Activities	<u>(157,001)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal and State Grant Receipts	<u>277,946</u>
Net Cash Provided By Noncapital Financing Activities	<u>277,946</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income Receipts	<u>77,556</u>
Net Cash (Used For) Provided By Investing Activities	<u>77,556</u>

198,501

Net Increase/(Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of the Year	<u>1,730,475</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 1,928,976</u>

See Accompanying Notes to the Basic Financial Statements

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE - LORAIN COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities

Operating Income (Loss)	\$ 119,922
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**Adjustments to Reconcile Operating Income (Loss) to
Net Cash Provided By (Used For) Operating Activities:**

Depreciation	13,428
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Changes in Assets, Liabilities, and Deferred Inflows and Outflows:

(Increase)/ Decrease in Net OPEB Asset	4
(Increase)/ Decrease in Other Assets	1,117
(Increase)/ Decrease in Deferred Outflows Pension	5,741
(Increase)/ Decrease in Deferred Outflows OPEB	8,494
Increase/(Decrease) in Accounts Payable, Trade	(160,490)
Increase/(Decrease) in Accounts Payable, Related Party	10,315
Increase/ (Decrease) in Net Pension Liability	(101,429)
Increase/ (Decrease) in Net OPEB Liability	(26,292)
Increase/ (Decrease) in Deferred Inflows Pension	(41,927)
Increase/ (Decrease) in Deferred Inflows OPEB	(8,541)
Increase/(Decrease) in Accrued Wages and Benefits	(1,928)
Increase/(Decrease) in Accrued Expenses	24,585

Net Cash Provided By (Used For) Operating Activities	<u>\$ (157,001)</u>
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See Accompanying Notes to the Basic Financial Statements

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Note 1 - Description of the School and Reporting Entity

Constellation Schools: Lorain Community Middle (LCM) is a nonprofit corporation established on December 5, 2003 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under §501(c)(3) of the Internal Revenue Code. On March 28, 2006, LCM was issued a determination letter of tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of LCM. LCM, which is part of Ohio's education program, is independent of any school district. LCM may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of LCM.

LCM was approved for operation as Mansfield Academy for Gifted Students (MAGS) under a contract dated January 20, 2004 between the Governing Authority (Board) of LCM and the Lucas County Educational Service Center (LCESC) (the Sponsor). On August 18, 2005 LCM (as MAGS) entered into a contract with Buckeye Community Hope Foundation (BCHF) to have BCHF replace LCESC as their sponsor. The contract has been renewed through June 30, 2026. Under the terms of the contract BCHF will provide sponsorship services for a fee.

LCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, business and educational management services for the fiscal year. The agreement can be renewed annually.

LCM operates under a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. During 2025, the board members for LCM also serve as the board for Constellation Schools: Eastside Arts Academy, Constellation Schools: Old Brooklyn Community Middle and Constellation Schools: Westpark Community Middle.

Note 2 - Summary of Significant Accounting Policies

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

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources and all liabilities and deferred inflow of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

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

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2025, LCM has implemented GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences to promote consistency and better meet the information needs of financial statement users. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. The implementation of GASB Statement No. 101 did not have an effect on the financial statements of LCM.

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

GASB Statement No. 102 provides users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints as concentrations and constraints may limit a government's ability to acquire resources or control spending. The implementation of GASB Statement No. 102 did not have an effect on the financial statements of the LCM.

Cash and Cash Equivalents

All cash received by LCM is maintained in a demand deposit account and a money market account. All investments of LCM are considered to be cash and cash equivalents for financial reporting purposes. During fiscal year 2025, LCM held no investments.

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 LCM and its Sponsor. The contract between LCM and its Sponsor does not require LCM to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Due From Other Governments

Monies due to LCM for the year ended June 30, 2025 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the dates received. All items with a useful life of one year or greater and a value of \$5,000 or more are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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Estimated useful lives are as follows:

<u>Capital Asset Classification</u>	<u>Years</u>
Technology and Software	3 to 5
Furniture and Equipment	5 to 10

Intergovernmental Revenues

LCM currently participates in the State Foundation Program, the State Poverty Based Assistance Program, Community Schools Facilities Allocation and Casino Tax Distribution. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. LCM also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program and various State Grant Programs. State and Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above-named programs for the 2025 school year totaled \$1,406,432.

Private Grants and Contributions

LCM received grants and contributions from private sources to support the school's programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. LCM did not receive any private grants and contributions during the 2025 fiscal year.

Compensated Absences

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

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

LCM recognizes a liability for compensated absences for the leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment under the last-in-first-out flow assumption. As of June 30, 2025, LCM had no accrued compensated absences.

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Pensions and Other Post-Employment Benefits (OPEB)

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

Use of Estimates

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

Deferred Inflow of Resources and Deferred Outflow of Resources

A deferred outflow of resources is a consumption of assets by LCM that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources related to pension is described in Note 8 and Note 9.

A deferred inflow of resources is an acquisition of assets by LCM that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The deferred inflow of resources related to pension is described in Note 8 and Note 9.

Accrued Liabilities and Long-term Obligations

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

Net Position

Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflow of resources and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

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Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by LCM or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Operating Revenues and Expenses

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

Note 3 - Deposits

The following information 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".

LCM maintains its cash balances at one financial institution, U.S. Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2025, the book amount of LCM's deposits was \$1,928,976 and the bank balance was \$1,930,582 of which \$1,680,582 was not insured at June 30, 2025 and exposed to custodial credit risk, while \$250,000 was covered by FDIC.

Note 4 - Purchased Services

Purchased Services include the following:

Professional and Technical Services	\$	549,412
Property Services		55,757
Travel & Meetings		2,407
Communications		22,925
Contracted Services		79,107
Other		7,087
Total Purchased Services	\$	<u>716,695</u>

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Note 5 - Capital Assets

A summary of capital assets at June 30, 2025 follows:

	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital Assets Being Depreciated				
Technology and Software	\$ 71,755	\$ -	\$ -	\$ 71,755
Furniture and Equipment	159,694	-	-	159,694
Total Capital Assets Being Depreciated	231,449	-	-	231,449
Less Accumulated Depreciation:				
Technology and Software	(67,289)	(5,035)	-	(72,324)
Furniture and Equipment	(134,655)	(8,393)	-	(143,048)
Total Accumulated Depreciation	(201,944)	(13,428)	-	(215,372)
Total Capital Assets, Net of Accumulated Depreciation	\$ 29,505	\$ (13,428)	\$ -	\$ 16,077

Note 6 - Operating Lease

LCM leases its facility from Constellation Schools: Lorain Community Elementary (LCE) under a one-year lease agreement with the ability to renew annually. Under the terms of the lease LCM made monthly lease payments of \$8,333 during fiscal year 2025. LCE charged LCM a total of \$100,000 during the year all of which was paid prior to June 30, 2025.

Note 7 - Risk Management

Property and Liability Insurance

LCM is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2025, LCM contracted with Traveler's Property Casualty Company of America for property insurance, The Hanover Insurance Company for liability insurance and errors and omissions insurance and Allamerica Financial Benefit Insurance Company for Automobile insurance.

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

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Workers' Compensation

LCM makes premium payments to the Ohio Workers' Compensation System for employee injury coverage.

Employee Medical, Dental, Vision and Life Benefits

LCM provides medical, dental, vision and life insurance benefits to all full-time employees. Employees participate in premium payments through pretax payroll deductions.

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers.

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All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and LCM 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, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

LCM's contractually required contribution to SERS was \$7,934 for fiscal year 2025.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65.

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Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

LCM's contractually required contribution to STRS was \$37,939 for fiscal year 2025.

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

The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. LCM's proportion of the net pension liability was based on the LCM's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00131970%	0.00190082%	
Prior Measurement Date	<u>0.00245080%</u>	<u>0.00185406%</u>	
Change in Proportionate Share	<u>-0.00113110%</u>	<u>0.00004676%</u>	
Proportionate Share of the Net			
Pension Liability	\$67,512	\$365,748	\$433,260
Pension Expense	(\$38,335)	(\$50,571)	(\$88,906)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

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At June 30, 2025, LCM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 2,576	\$ 23,035	\$ 25,611
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Changes of Assumptions	604	16,854	17,458
Changes in Proportion and Differences between LCM Contributions and Proportionate Share of Contributions	-	5,173	5,173
LCM Contributions Subsequent to the Measurement Date	7,934	37,939	45,873
Total Deferred Outflows of Resources	\$ 11,114	\$ 83,001	\$ 94,115
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ -	\$ 201	\$ 201
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,219	31,447	35,666
Changes of Assumptions	-	12,686	12,686
Changes in Proportion and Differences between LCM Contributions and Proportionate Share of Contributions	67,439	81,366	148,805
Total Deferred Inflows of Resources	\$ 71,658	\$ 125,700	\$ 197,358

\$45,873 reported as deferred outflows of resources related to pension resulting from LCM contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2026	\$ (32,528)	\$ (70,152)	\$ (102,680)
2027	(21,016)	17,636	(3,380)
2028	(13,693)	(25,216)	(38,909)
2029	(1,241)	(2,906)	(4,147)
Total	\$ (68,478)	\$ (80,638)	\$ (149,116)

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 termination).

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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. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. A forecasted rate of inflation serves as the baseline for the return expectation.

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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 a 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. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	100.00 %	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 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. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of LCM'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 net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
LCM's Proportionate Share of the Net Pension Liability	\$ 103,282	\$ 67,512	\$ 37,393

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Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

Inflation	2.50 percent
Salary Increases	From 2.5 percent to 8.5 percent, based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

**Final target weights reflected at October 1, 2022.*

***10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of 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.*

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Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Sensitivity of LCM's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the LCM's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what LCM's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCM's Proportionate Share of the Net Pension Liability	\$ 590,016	\$ 365,748	\$ 176,056

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - LCM 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.

The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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

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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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 2025, no allocation 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 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, LCM's surcharge obligation was \$237.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. LCM's contractually required contribution to SERS were equal to the surcharge amount for fiscal year 2025.

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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

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. All benefit recipients 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, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. LCM's proportion of the net OPEB liability (asset) was based on the LCM's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.0013450%	0.00190082%	
Prior Measurement Date	0.0024275%	0.00185406%	
Change in Proportionate Share	<u>-0.0010825%</u>	<u>0.00004676%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 13,699	\$ (36,055)	
OPEB Expense	\$ (15,813)	\$ (10,017)	\$ (25,830)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in OPEB expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2025, LCM reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ -	\$ 1,568	\$ 1,568
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	65	-	65
Changes of Assumptions	5,877	4,440	10,317
Changes in Proportion and Differences between LCM Contributions and Proportionate Share of Contributions	-	2,119	2,119
LCM Contributions Subsequent to the Measurement Date	237	-	237
Total Deferred Outflows of Resources	\$ 6,179	\$ 8,127	\$ 14,306
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 14,772	\$ 3,883	\$ 18,655
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	1,550	1,550
Changes of Assumptions	6,293	15,993	22,286
Changes in Proportion and Differences between LCM Contributions and Proportionate Share of Contributions	67,660	865	68,525
Total Deferred Inflows of Resources	\$ 88,725	\$ 22,291	\$ 111,016

\$237 reported as deferred outflows of resources related to OPEB resulting from LCM contributions subsequent to the measurement date will be recognized as a reduction/addition to the net OPEB liability/asset in the fiscal year ending June 30, 2026. 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
2026	\$ (16,318)	\$ (5,650)	\$ (21,968)
2027	(13,395)	(2,232)	(15,627)
2028	(10,983)	(2,779)	(13,762)
2029	(10,233)	(2,566)	(12,799)
2030	(10,212)	(2,011)	(12,223)
Thereafter	(21,642)	1,074	(20,568)
Total	\$ (82,783)	\$ (14,164)	\$ (96,947)

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Actuarial Assumptions - SERS

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

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

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

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

	June 30, 2024
Inflation	2.40 percent
Future Salary Increases, including Inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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.

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The long-term expected nominal rate of return has been determined by calculating a 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. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 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 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of LCM's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

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	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
LCM's Proportionate Share of the Net OPEB Liability	\$18,267	\$13,699	\$10,069

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
LCM's Proportionate Share of the Net OPEB Liability	\$9,260	\$13,699	\$19,533

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

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Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

**Final target weights reflected at October 1, 2022.*

***10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.*

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. 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 these 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, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

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Sensitivity of LCM's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCM's Proportionate Share of the Net OPEB (Asset)	(\$29,317)	(\$36,055)	(\$41,920)

	1% Decrease	Current Trend Rate	1% Increase
LCM's Proportionate Share of the Net OPEB (Asset)	(\$42,316)	(\$36,055)	(\$28,525)

Note 10 - Contingencies

Grants

LCM received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of LCM. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of LCM at June 30, 2025.

Note 11 - Sponsorship and Management Agreements

LCM entered into an agreement with Buckeye Community Hope Foundation to provide sponsorship and oversight services as required by law. The agreement is effective through June 30, 2025. Sponsorship fees are calculated as 3% of the Fiscal Year 2025 Foundation payments received by LCM, from the State of Ohio. The total amount due from LCM for fiscal year 2025 was \$35,299 all of which was paid prior to June 30, 2025.

LCM had an agreement with Constellation Schools to provide legal, financial, and business management services for fiscal year 2025. The agreement was for a period of four years, effective August 19, 2021. Management fees are calculated as 6.25% of the Fiscal Year 2025 Foundation payments received by LCM from the State of Ohio plus a fixed fee of \$71,250. The total amount due from LCM for the fiscal year ending June 30, 2025 was \$142,500 all of which was paid prior to June 30, 2025.

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*Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

<u>Year</u>	<u>School's Proportion of the Net Pension Liability</u>	<u>School's Proportionate Share of the Net Pension Liability</u>	<u>School's Covered Payroll</u>	<u>School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<i>School Employees Retirement System (SERS)</i>					
2025	0.0013197%	\$ 67,512	\$ 55,307	122.07%	78.52%
2024	0.0024508%	135,418	112,671	120.19%	76.06%
2023	0.0033804%	182,839	126,279	144.79%	75.82%
2022	0.0042575%	157,088	147,050	106.83%	82.86%
2021	0.0045110%	298,367	154,479	193.14%	68.55%
2020	0.0048893%	292,536	92,304	316.93%	70.85%
2019	0.5267370%	301,672	170,681	176.75%	71.36%
2018	0.0059498%	355,486	195,157	182.15%	69.50%
2017	0.0062997%	461,078	200,629	229.82%	62.98%
2016	0.0051834%	295,770	61,715	479.25%	69.16%
<i>State Teachers Retirement System (STRS)</i>					
2025	0.0019008%	\$ 365,748	\$ 263,821	138.63%	82.55%
2024	0.0018541%	399,271	264,729	150.82%	80.02%
2023	0.0022672%	504,006	294,750	170.99%	78.90%
2022	0.0029563%	377,993	364,857	103.60%	87.80%
2021	0.0029433%	712,169	355,264	200.46%	75.50%
2020	0.3481440%	769,899	398,829	193.04%	77.40%
2019	0.0038414%	844,646	436,943	193.31%	77.31%
2018	0.0041805%	993,078	459,543	216.10%	75.29%
2017	0.0047341%	1,584,659	557,386	284.30%	66.80%
2016	0.0049384%	1,364,821	405,771	336.35%	72.10%

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

See accompanying notes to the required supplementary information.

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*Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability (Asset)
Last Nine Fiscal Years (1)*

<u>Year</u>	<u>School's Proportion of the Net OPEB Liability (Asset)</u>	<u>School's Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>School's Covered Payroll</u>	<u>School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
<i>School Employees Retirement System (SERS)</i>					
2025	0.0013450%	\$ 13,699	\$ 55,307	24.77%	44.50%
2024	0.0024275%	39,991	112,671	35.49%	30.02%
2023	0.0034721%	48,749	126,279	38.60%	30.34%
2022	0.0042801%	81,005	147,050	55.09%	24.08%
2021	0.0044462%	96,631	154,479	62.55%	18.17%
2020	0.0049782%	125,191	92,304	135.63%	15.57%
2019	0.0050935%	141,308	170,681	82.79%	13.57%
2018	0.0057305%	153,793	195,157	78.80%	12.46%
2017	0.0060581%	172,677	200,629	86.07%	11.49%
<i>State Teachers Retirement System (STRS)</i>					
2025	0.0019008%	\$ (36,055)	\$ 263,821	-13.67%	158.01%
2024	0.0018541%	(36,059)	264,729	-13.62%	168.52%
2023	0.0022672%	(58,705)	294,750	-19.92%	174.73%
2022	0.0029563%	(62,331)	364,857	-17.08%	174.73%
2021	0.0029433%	(51,728)	355,264	-14.56%	182.13%
2020	0.0034814%	(57,661)	398,829	-14.46%	174.74%
2019	0.0034144%	(61,728)	436,943	-14.13%	176.00%
2018	0.0041805%	163,106	459,543	35.49%	47.11%
2017	0.0047341%	253,183	557,386	45.42%	37.30%

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.
(1) Information prior to 2017 is not available.

See accompanying notes to the required supplementary information.

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

*Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years*

<u>Year</u>	<u>Contractually Required Contribution - Pension (1)</u>	<u>Contractually Required Contribution - OPEB (1)(2)</u>	<u>School's Covered Payroll</u>	<u>Pension Contributions as a Percentage of Covered Payroll</u>	<u>OPEB Contributions as a Percentage of Covered Payroll (2)</u>
<i>School Employees Retirement System (SERS)</i>					
2025	\$ 7,934	\$ 237	\$ 56,671	14.00%	0.00%
2024	7,743	968	55,307	14.00%	1.75%
2023	15,774	1,265	112,671	14.00%	1.12%
2022	17,679	2,346	126,279	14.00%	1.86%
2021	20,587	2,136	147,050	14.00%	1.45%
2020	21,627	1,815	154,479	14.00%	1.17%
2019	12,461	2,075	92,304	13.50%	2.25%
2018	23,042	2,352	170,681	13.50%	1.38%
2017	27,322	1,539	195,157	14.00%	0.79%
2016	28,088	1,293	200,629	14.00%	0.64%
<i>State Teachers Retirement System (STRS)</i>					
2025	\$ 37,939	\$ -	\$ 270,993	14.00%	0.00%
2024	36,935	-	263,821	14.00%	0.00%
2023	37,062	-	264,729	14.00%	0.00%
2022	41,265	-	294,750	14.00%	0.00%
2021	51,080	-	364,857	14.00%	0.00%
2020	49,737	-	355,264	14.00%	0.00%
2019	55,836	-	398,829	14.00%	0.00%
2018	61,172	-	436,943	14.00%	0.00%
2017	64,336	-	459,543	14.00%	0.00%
2016	78,034	-	557,386	14.00%	0.00%

(1) The contributions in relation to the contractually required contributions are equal to the contractually required contributions, resulting in zero contribution deficiency/excess.

(2) SERS contributions include surcharge.

See accompanying notes to the required supplementary information.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented as follows:

	<u>Fiscal Years 2025-2022</u>	<u>Fiscal Years 2021-2017</u>	<u>Fiscal Years 2016 and Prior</u>
Wage Inflation	2.40%	3.00%	3.25%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%	4.00% to 22.00%
Investment Rate of Return	7.00% net of system expenses	7.50% net of investment expenses, including inflation	7.75% net of investment expenses, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP2020 projection scale generationally.

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2022, COLA was increased from 2.00 percent to 2.50 percent.

For fiscal year 2021, COLA was reduced from 2.50 percent to 2.00 percent.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

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

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

	<u>Fiscal Years 2025-2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Years 2017 and Prior</u>
Inflation	2.50%	2.50%	2.75%
	Varies by service from	From 12.50% at age 20 to	From 12.25% at age 20 to
Projected Salary Increases	2.50% 8.50%	2.50% at age 65	2.75% at age 70
Investment Rate of Return, net of investment	7.00%	7.45%	7.75%
Payroll Increases	3.00%	3.00%	3.50%

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

Changes in Benefit Terms - STRS

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

For fiscal year 2018, the COLA was reduced to zero.

Fiscal year 2017 and prior, COLA was 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date.

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

Amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	<u>Fiscal Years 2025-2022</u>	<u>Fiscal Years 2021-2017</u>
Inflation	2.40%	3.00%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%
Investment Rate of Return, net of investment expenses, including inflation	7.00%	7.50%

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

	<u>Fiscal Year</u>								
<u>Assumption</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Municipal Bond Index Rate	3.93%	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	4.88%	4.27%	4.08%	2.27%	2.63%	3.22%	3.70%	3.63%	2.98%

Changes in Assumptions – STRS

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent).

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

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.

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

Changes in Benefit Terms – STRS

For fiscal year 2025, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

For fiscal year 2023, health care trends were updated to reflect emerging claims and recoveries experience

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely

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

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

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

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

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

To the Board of Directors
Constellation Schools: Lorain Community Middle
Lorain County, Ohio
1110 W 4th Street
Lorain, Ohio 44052

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 (*Government Auditing Standards*), the financial statements of the Constellation Schools: Lorain Community Middle, Lorain County, Ohio (the “School”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Independence, Ohio
December 9, 2025

OHIO AUDITOR OF STATE KEITH FABER



CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/10/2026

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

This report is a matter of public record and is available online at
www.ohioauditor.gov