

**NORTHLAND PREPARATORY  
AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2021**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Northland Preparatory and Fitness Academy  
1875 Morse Road  
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Northland Preparatory and Fitness Academy, Franklin County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 04, 2022

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**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-9
Basic Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14-41
Required Supplementary Information:	
Schedule of the Academy's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio - Last Eight Fiscal Years	42-43
State Teachers Retirement System (STRS) of Ohio - Last Eight Fiscal Years	44-45
Schedules of Academy Contributions – Pension:	
School Employees Retirement System (SERS) of Ohio - Last Ten Fiscal Years	46-47
State Teachers Retirement System (STRS) of Ohio - Last Ten Fiscal Years	48-49
Schedule of the Academy's Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio – Last Five Fiscal Years	50
State Teachers Retirement System (STRS) of Ohio – Last Five Fiscal Years	51
Schedule of Academy Contributions – OPEB:	
School Employees Retirement System (SERS) of Ohio – Last Ten Fiscal Years	52-53
State Teachers Retirement System (STRS) of Ohio – Last Ten Fiscal Years	54-55
Notes to the Required Supplementary Information	56-58
Schedule of Expenditures of Federal Awards	59
Notes to the Schedule of Expenditures of Federal Awards	60
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61-62
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	63-64
Schedule of Findings and Questioned Costs	65
Schedule of Prior Audit Findings and Recommendations	66

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**JAMES G. ZUPKA, C.P.A., INC.**

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Northland Preparatory and Fitness Academy  
Columbus, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Northland Preparatory and Fitness Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northland Preparatory and Fitness Academy as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 14 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. As discussed in Note 15 to the basic financial statements, the school foundation aid received from the State of Ohio will be funded through the direct funding model. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.



The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 30, 2021

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**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

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The discussion and analysis of the Northland Preparatory and Fitness Academy’s (The “Academy”) financial performance provides an overall review of the Academy’s financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Academy’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy’s financial performance.

**Financial Highlights**

- In total, net position was a deficit of \$2,340,875 at June 30, 2021.
- Operating revenues were \$2,254,381, operating expenses were \$3,331,979 and non-operating revenues were \$978,114 for fiscal year 2021.
- Change in net position was a decrease of \$99,484, from a deficit of \$2,241,391 to a deficit of \$2,340,875.

**Using the Basic Financial Statements**

This report consists four parts, the Management’s Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements, and required supplementary information. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

**Reporting the Academy’s Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, “How did we do financially during 2021?” The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy’s net position and changes in those assets. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Academy’s net pension liability and net OPEB asset/liability.

The table below provides a summary of the Academy’s net position for fiscal year 2021 and 2020.

	<b>Net Position</b>	
	2021	2020
<b><u>Assets</u></b>		
Current assets	\$ 396,665	\$ 116,084
Net OPEB Asset	154,764	146,535
Total assets	551,429	262,619
<b><u>Deferred outflows</u></b>		
Pension	422,357	504,442
OPEB	46,722	46,174
Total Deferred Outflows of Resources	469,079	550,616
<b><u>Liabilities</u></b>		
Current liabilities	396,621	115,984
Long-term liabilities:		
Net Pension liability	2,386,936	2,216,254
Net OPEB liability	79,804	108,171
Total liabilities	2,863,361	2,440,409
<b><u>Deferred inflows</u></b>		
Pension	247,300	390,794
OPEB	250,722	223,423
Total Deferred Inflows of Resources	498,022	614,217
<b><u>Net Position</u></b>		
Unrestricted (deficit)	(2,340,875)	(2,241,391)
Total net position (deficit)	\$ (2,340,875)	\$ (2,241,391)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2021 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions -an Amendment of GASB Statement 27.” The Academy also reported net OPEB asset/liability in accordance with GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2021 and 2020, the Academy’s net position totaled a deficit of \$2,340,875 and a deficit of \$2,241,391 respectively. In accordance with GASB 68 and GASB 75, the Academy’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The changes in current assets and current liabilities are due to the increase in intergovernmental receivable from grants along with the corresponding accounts payable to the management company.

The following table shows the change in net position for fiscal year 2021 and 2020, as well as a listing of revenues and expenses.

**Change in Net Position**

	2021	2020
<b><u>Operating Revenues</u></b>		
State foundation	\$ 2,250,529	\$ 1,769,625
Other operating revenues	3,852	-
Total operating revenue	2,254,381	1,769,625
<b><u>Operating Expenses</u></b>		
Purchased services - management fees	3,059,545	2,156,667
Other operating expenses	272,434	319,653
Total operating expenses	3,331,979	2,476,320
<b><u>Non-operating revenues</u></b>		
Federal grants	897,342	461,782
State grants	80,772	66,542
Total non-operating revenues	978,114	528,324
Change in net position	(99,484)	(178,371)
Net deficit at the beginning of the year	(2,241,391)	(2,063,020)
Net deficit at the end of the year	\$ (2,340,875)	\$ (2,241,391)

Overall, expenses increased \$855,659 or 34.55%. This increase is primarily the result of an increase in purchase services. Purchased services expenses increased \$902,878 or 41.86%, due to the increase in revenues. The decrease in other operating expenses is due to fluctuations in the pension expense and postemployment expense reported under GASB 68 and GASB 75, which make it difficult to compare financial information between years.

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and from federal entitlement programs. The increase in revenues and expenses is due to the significant increase in enrollment and the addition of COVID related federal funding.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

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**Capital Assets**

The Academy has no capital assets due to the nature of the full performance contract with Performance Academies.

**Current Financial Related Activities**

The Academy was formed in 2005 through a charter with the Ohio Department of Education. During the 2005-2006 school year there were approximately 28 students enrolled. In fiscal year 2021, enrollment increased by 35 students to 240 students. The Academy receives its finances mostly from state aid. Per pupil base aid for fiscal year 2021 was \$5,980.

**Contacting the Academy’s Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy’s finances and to show the Academy’s accountability for the money it receives. If you have any questions about this report or need additional information contact Todd Taylor, Treasurer, 2 Easton Oval Suite 525 Columbus OH 43219 or email [Ttaylor@performanceacademies.com](mailto:Ttaylor@performanceacademies.com).

**BASIC  
FINANCIAL STATEMENTS**



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 100
Receivables:	
Intergovernmental	393,827
Accounts	2,738
<b>Total Current Assets</b>	396,665

**Noncurrent Assets:**

Net OPEB Asset	154,764
<b>Total Noncurrent Assets</b>	154,764
<b>Total Assets</b>	551,429

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	422,357
OPEB	46,722
<b>Total Deferred Outflows of Resources</b>	469,079

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	393,827
Intergovernmental Payable	2,794
<b>Total Current Liabilities</b>	396,621

**Noncurrent Liabilities:**

Net Pension Liability	2,386,936
Net OPEB Liability	79,804
<b>Total Noncurrent Liabilities</b>	2,466,740
<b>Total Liabilities</b>	2,863,361

**DEFERRED INFLOWS OF RESOURCES**

Pension	247,300
OPEB	250,722
<b>Total Deferred Inflows of Resources</b>	498,022

**NET POSITION**

Unrestricted (Deficit)	(2,340,875)
<b>Total Net Position</b>	\$ (2,340,875)

See accompanying notes to the basic financial statements

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**OPERATING REVENUES**

State Foundation	\$ 2,250,529
Other Operating Revenues	3,852
<b>Total Operating Revenues</b>	<u>2,254,381</u>

**OPERATING EXPENSES**

Purchased Services - management fees	3,059,545
Other operating expenses	272,434
<b>Total Operating Expenses</b>	<u>3,331,979</u>
Operating Loss	<u>(1,077,598)</u>

**NON-OPERATING REVENUES**

Federal grants	897,342
State grants	80,772
<b>Total Nonoperating Revenues</b>	<u>978,114</u>
Change in Net Position	(99,484)

Net Position - Beginning of Year	<u>(2,241,391)</u>
<b>Net Position - End of Year</b>	<u><u>\$ (2,340,875)</u></u>

See accompanying notes to the basic financial statements

**NORTHLAND AND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from State of Ohio	\$ 2,253,323
Cash Received from Other Operations	3,852
Cash Payments for Purchased Services	(2,784,440)
Cash Payments for Other Expenses	<u>(173,006)</u>
Net Cash Used in Operating Activities	<u>(700,271)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal grants	619,499
State grants	<u>80,772</u>
Net Cash Provided by Noncapital Financing Activities	<u>700,271</u>
 Net Decrease in Cash and Cash Equivalents	 -
 Cash and Cash Equivalents - Beginning of Year	 <u>100</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u><u>\$ 100</u></u></b>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Loss	\$ (1,077,598)
 Adjustments:	
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	(2,738)
Net OPEB Asset	(8,229)
Deferred Outflow of Resources - Pension	82,085
Deferred Outflow of Resources - OPEB	(548)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	277,843
Intergovernmental Payable	2,794
Net Pension Liability	170,682
Net OPEB Liability	(28,367)
Deferred Inflow of Resources - Pension	(143,494)
Deferred Inflow of Resources - OPEB	<u>27,299</u>
Net Cash Used in Operating Activities	<u><u>\$ (700,271)</u></u>

See accompanying notes to the basic financial statements

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Northland Preparatory and Fitness Academy (the “Academy”) has been approved as a tax-exempt status nonprofit corporation under Section 501c (3) of the Internal Revenue Code. It was established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade eight. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy contracts with Performance Academies, Inc. for most of its functions. See Note 4.

The Sponsor is responsible for evaluation the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Effective July 1, 2019 the Academy is under contract with the Ohio Council of Community Schools for a period of 5 years.

The Academy operates under the direction of a five-member Board of Directors (The Board). The Board is responsible for carrying out the provisions of the contract with the sponsor which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board of Directors leases the Academy’s one instructional/support facility from Performance Academies, Inc. as noted in the management agreement. The facility is staffed with teaching personnel employed by Performance Academies, Inc. The Board also operates the following schools:

Columbus Preparatory and Fitness Academy	Columbus, Ohio
Columbus Performance Academy	Columbus, Ohio
Performance Academy of Eastland	Columbus, Ohio
Whitehall Preparatory and Fitness Academy	Columbus, Ohio

Also, the Academy is associated with the META Solutions, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources (See Note 10).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 the Academy’s accounting policies are described below.

**A. Basis of Presentation**

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The Statement of Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the Academy finances and meets cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, See Notes 5 and 6 for deferred outflows of resources related the Academy's net pension liability and net OPEB liability/asset, respectively.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 5 and 6 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor.

The contract between the Academy and its sponsor requires that monthly budget reports be prepared comparing actual for the month to budgeted amount for the month. It also requires that a variance report accompany the monthly reports identifying areas that may need to be adjusted to maintain a balanced budget. Monthly reports and timely presentations are to be furnished to the Board by the treasurer with recommendations for Board action to adjust the spending plan as appropriate action is warranted.

**F. Cash Deposits**

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents. All cash received by the Academy is maintained in a demand deposit account.

**G. Net Position**

Net position represents the difference between the assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available.

**H. Concentration of Business and Current Risk**

As of June 30, 2021, funds received from the federal and state of Ohio governments represented 99.88% of the revenues and intergovernmental accounts receivable reported by the Academy. Accordingly, the risk exists that the ability to receive funds from these governments could affect the financial status of the Academy.

**I. Deposits**

The Academy maintains its cash balance in a demand deposit account in a financial institution located in Columbus, Ohio. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2021, the Academy's cash balance was \$100, so 100 percent was covered by FDIC. The Academy had no investments at June 30, 2021, or during the fiscal year.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Estimates**

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

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and other operating revenues. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**L. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, the Opportunity Grant, Targeted Assistance Grant, K-3 Literacy Funding, Limited English Proficiency and Facilities Funding Grants. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for fiscal year 2021 school year, excluding all other State and Federal grants, totaled \$2,250,529.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State and Federal grants revenue for fiscal year 2021 was \$978,114.

**M. Pensions/Other Postemployment Benefits (OPEB)**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

During the year, the Academy implemented the following Governmental Accounting Standards Board (GASB) Statements and Guides:

GASB Implementation Guide No. *2019-1 Update*. These changes were incorporated in the Academy's Financial statements; however, there was no effect on the beginning net position/fund balance.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the Academy.

**NOTE 4 - AGREEMENT WITH PERFORMANCE ACADEMIES, INC.**

On July 1, 2015, the Academy contracted with Performance Academies, Inc., to provide educational programs that offer educational excellence and innovation based upon the Academy's unique school design, comprehensive educational program, and sound school and business principles and management methodologies. This contract remains in effect as long as the Academy continues to renew the contract and has entered into or is continuing to operate under any chartering school contract. Under the contract Performance Academies, Inc. is responsible for providing educational and management services and products, human resources administration, including school personnel and business management, curricula, programs, contract administration and technology. Significant provisions of the contract are as follows:

**A. Financial Provisions**

Management Consulting and Operation Fee

The Academy pays Performance Academies, Inc. all state and federal per pupil allocations, transportation, technology or other operational funds, including private donations, endowments, or grants applied for on behalf of the Academy, except for two percent of the base state per pupil allocation. This two percent is to be retained by the Academy as a Board Reserve to be used by June 30 of each year for the Academy's benefit. The amount paid to Performance Academies, Inc. by the Academy is reflected in the Statement of Revenues, Expenses, and Changes in Net Position as Purchased Services - Management Fees operating expense.

The Academy's Financial Responsibility

The Academy uses the Board Reserve to pay Board members' compensation; expenses for fund raising and grant writing accomplished by the Academy; and other expenses for the benefit of the Academy at the Board's discretion. The actual transactions related to these expenditures are performed by Performance Academies, Inc. under the Academy's direction.

Performance Academies, Inc. Financial Responsibilities

Performance Academies, Inc. is responsible for the payment of all wages, compensation and expenses of Performance Academies, Inc. or the Academy including the Superintendent, Treasurer, assistants, administrators, clerical staff, and teachers. Performance Academies, Inc. is also responsible for and janitorial services; worker's compensation; other insurance; necessary comprehensive or premises liability insurance; and attorney fees. Performance Academies, Inc. pays their own office expenses and supplies; leases for equipment and the Academy offices or facilities; and travel, lodging and other expenses incurred pursuant to services rendered by Performance Academies, Inc.



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 4 - AGREEMENT WITH PERFORMANCE ACADEMIES, INC. (Continued)**

Financial Reporting by Performance Academies, Inc.

Performance Academies, Inc. shall provide the Academy's Board with a proposed and projected annual budget prior to opening each fiscal year; statements of all revenues received with respect to the Academy, and statements of all direct expenditures for services rendered to or on behalf of the Academy. Performance Academies, Inc. also provides consultation on annual audits in compliance with state law and regulations showing the manner in which funds are spent for the Academy. Performance Academies, Inc. reports on Academy operations and finances on a quarterly basis and other information on a reasonably requested basis to enable the Board to monitor the performance of the Academy; and a reasonable opportunity to inspect, examine, audit and otherwise review the books, records, accounts, ledgers and other financial documents of Performance Academies, Inc. to the extent that they relate to or otherwise pertain to activities of the Academy.

Financial Reporting by the Academy

The Academy shall provide Performance Academies, Inc. with statements of all funds received by the Academy from grants applied for by the Academy, donations or endowments and statements of all expenditures and investments made with such funds, as well as with the Board Reserve funds.

**B. Personnel**

Performance Academies, Inc. selects and hires all teaching staff, administrative or other staff. They also evaluate, assign, discipline and transfer personnel. Performance Academies, Inc. also selects the Academy's Superintendent and establishes employment terms. During the first two years of operation, the Superintendent shall be a representative of Performance Academies, Inc. Performance Academies, Inc. determines the number of teachers needed for the operation of the Academy and selects and hires all teachers. The personnel who perform services at the Academy are employees or subcontractors or service providers of Performance Academies, Inc. and are paid by Performance Academies, Inc.

**C. Agreement Termination**

Termination by the Academy

The Academy may terminate the Contract after prior written notice to Performance Academies, Inc. if the Academy ceases to be approved by the Ohio Department of Education as an Ohio Community School and the Academy or Performance Academies, Inc. cannot secure another sponsor; upon sixty days prior written notice in the event that Performance Academies, Inc. be guilty of a felony or fraud, gross negligence, or other act of willful or gross misconduct in the rendering of services under the Agreement, or in the event that Performance Academies, Inc. fails to remedy a material breach of its duties or obligation within six months after written notice of the breach is provided to Performance Academies, Inc. by the Academy, if Performance Academies, Inc. has failed to cure such breach during the first three months of the notice period.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 4 - AGREEMENT WITH PERFORMANCE ACADEMIES, INC. (Continued)**

Termination by Performance Academies, Inc.

Performance Academies, Inc. may terminate the Contract in the event the Academy materially breaches the Agreement and the Academy fails to remedy such a breach within ninety days of its receipt of written notice of such breach from Performance Academies, Inc.

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

**A. Net Pension Liability**

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

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

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

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

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

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

*Plan Description* –Academy 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

*Funding Policy* – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was the entire 14.0 percent.

The Academy's contractually required contribution to SERS was \$20,675 for fiscal year 2021.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit 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, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes 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 services.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan.

The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

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

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contributions to STRS was \$148,096 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

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			
Prior Measurement Date	0.0043404%	0.00884745%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0038736%</u>	<u>0.00880596%</u>	
Change in Proportionate Share	<u>-0.0004668%</u>	<u>-0.0000415%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 256,208	\$ 2,130,728	\$ 2,386,936
Pension Expense	\$ 37,132	\$ 240,912	\$ 278,044

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 497	\$ 4,780	\$ 5,277
Changes of assumptions	-	114,379	114,379
Net difference between projected and actual earnings on pension plan investments	16,262	103,616	119,878
Changes in proportion and differences between Academy contributions and proportionate share of contributions	-	14,052	14,052
Academy contributions subsequent to the measurement date	<u>20,675</u>	<u>148,096</u>	<u>168,771</u>
Total Deferred Outflows of Resources	<u>\$ 37,434</u>	<u>\$ 384,923</u>	<u>\$ 422,357</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 13,625	\$ 13,625
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>19,754</u>	<u>213,921</u>	<u>233,675</u>
Total Deferred Inflows of Resources	<u>\$ 19,754</u>	<u>\$ 227,546</u>	<u>\$ 247,300</u>

\$168,771 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (13,522)	\$ 8,141	\$ (5,381)
2023	(1,345)	(31,862)	(33,207)
2024	11,872	(12,043)	(171)
2025	-	45,045	45,045
	\$ (2,995)	\$ 9,281	\$ 6,286
Total	\$ (2,995)	\$ 9,281	\$ 6,286

**E. 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). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

The most recent experience study was completed June 30, 2015.

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 350,974	\$ 256,208	\$ 176,698

***Changes since measurement date*** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020.

**F. Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

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

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	\$ 3,033,787	\$ 2,130,728	\$ 1,365,462

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 6 - DEFINED BENEFIT OPEB PLANS**

**A. Net OPEB Liability/Asset**

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

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

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

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

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

**B. Plan Description – School Employees Retirement System (SERS)**

***Health Care Plan Description*** - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**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 2021, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 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.

The surcharge, is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$0 for fiscal year 2021.

**C. Plan Description – State Teachers Retirement System (STRS)**

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

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

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

The net OPEB liability and net OPEB asset were measured as of June 30, 2020, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability and net OPEB asset were based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.0043014%	0.00884745%	
Proportion of the Net OPEB Liability/(Asset)			
Current Measurement Date	<u>0.0036719%</u>	<u>0.00880596%</u>	
Change in Proportionate Share	<u>-0.0006295%</u>	<u>-0.00004149%</u>	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$ 79,804	\$ (154,764)	\$ (74,960)
OPEB Expense	\$ (427)	\$ (9,418)	\$ (9,845)

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 1,049	\$ 9,915	\$ 10,964
Changes of assumptions	13,603	2,555	16,158
Net difference between projected and actual earnings on pension plan investments	898	5,423	6,321
Changes in proportion and difference between Academy contributions and proportionate share of contributions	<u>7,876</u>	<u>5,403</u>	<u>13,279</u>
Total Deferred Outflows of Resources	<u>\$ 23,426</u>	<u>\$ 23,296</u>	<u>\$ 46,722</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 40,585	\$ 30,827	\$ 71,412
Changes of assumptions	2,011	146,999	149,010
Changes in proportion and difference between Academy contributions and proportionate share of contributions	<u>21,730</u>	<u>8,570</u>	<u>30,300</u>
Total Deferred Inflows of Resources	<u>\$ 64,326</u>	<u>\$ 186,396</u>	<u>\$ 250,722</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (7,290)	\$ (40,186)	\$ (47,476)
2023	(7,227)	(36,512)	(43,739)
2024	(8,876)	(35,231)	(44,107)
2025	(11,981)	(34,914)	(46,895)
2026	(4,081)	(8,767)	(12,848)
Thereafter	<u>(1,445)</u>	<u>(7,490)</u>	<u>(8,935)</u>
Total	<u>\$ (40,900)</u>	<u>\$ (163,100)</u>	<u>\$ (204,000)</u>

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

**E. Actuarial Assumptions – SERS**

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

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

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

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

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

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

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

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

*Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). 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 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Academy's proportionate share of the net OPEB liability	\$ 97,676	\$ 79,804	\$ 65,593

  

	1% Decrease (6.00 % decreasing to 3.75 %)	Current Trend Rate (7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75 %)
Academy's proportionate share of the net OPEB liability	\$ 62,838	\$ 79,804	\$ 102,488

*Changes since measurement date* The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**F. Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation is presented on the next page:

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	
Medicare	11.87 percent	4.00 percent

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

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

Actuarial assumptions used in the June 30, 2020 valuation is based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

**Sensitivity of the Academy'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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	\$ 134,655	\$ 154,764	\$ 171,827
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$ 170,768	\$ 154,764	\$ 135,271

**Benefit Term Changes Since the Prior Measurement Date** There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

**NOTE 7 - LONG-TERM OBLIGATIONS**

During fiscal year 2021, the following changes occurred in the Academy's long-term obligations.

	Balance			Balance	Amounts
	June 30, 2020	Addition	Deletion	June 30, 2021	Due in
					One Year
Net Pension Liability	\$ 2,216,254	\$ 170,682	\$ -	\$ 2,386,936	\$ -
Net OPEB Liability	108,171	-	(28,367)	79,804	-
Total long-term obligations	<u>\$ 2,324,425</u>	<u>\$ 170,682</u>	<u>\$ (28,367)</u>	<u>\$ 2,466,740</u>	<u>\$ -</u>

Net Pension Liability: See Note 5 for information on the Academy's net pension liability.

Net OPEB Liability: See Note 6 for information on the Academy's net OPEB liability.

**NOTE 8 - PURCHASED SERVICES**

For the period ended June 30, 2021, purchased service expenses represent management services rendered by Performance Academies, Inc. (See Note 4) and STRS and SERS expenses made by the Academy on behalf of Performance Academies, Inc.

Purchased Service Agreement	\$ 3,059,545
SERS and STRS Expenses	<u>272,434</u>
Total Purchased Service	<u>\$ 3,331,979</u>

**NOTE 9 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the academy at June 30, 2021.

**B. State Foundation Funding**

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

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 9 - CONTINGENCIES (Continued)**

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE review for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE has not performed such a review on the Academy for fiscal year 2021.

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

**C. Litigation**

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**NOTE 10 - METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION (META)  
SOLUTIONS**

The Academy is a participant in META Solutions which is a computer consortium. META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Ashley Whidbey, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 11 - MANAGEMENT COMPANY EXPENSES**

For the fiscal year ended June 30, 2021, Performance Academies, Inc. incurred the following expenses on behalf of the Academy:

Direct Expenses:	
Salaries & Wages	
Regular Instruction	\$ 533,139
Special Instruction	160,406
Other Instruction	61,965
Support Services	291,928
Employees' Benefits	
Regular Instruction	136,232
Special Instruction	40,599
Other Instruction	15,665
Support Services	66,438
Professional and Technical Services	
Regular Instruction	8,758
Special Instruction	15,557
Other Instruction	250
Support Services	164,142
Property Services	
Support Services	102,503
Noninstructional Activities	213,727
Utilities	
Utilities	32,564
Contracted Services	
Contracted Services	131,296
Transportation	
Transportation	88
Other Purchased Services	
Other Purchased Services	46,427
Supplies	
Regular Instruction	158,651
Other Instruction	4,983
Support Services	48,524
Other Direct Costs	21,974
Total Expenses	<u>\$ 2,255,816</u>

Overhead charges of \$475,582 included in direct costs are assigned to the Academy based on a percentage of FTE students per Academy. These charges represent the indirect cost of services in the operation of the Academy. Such services include but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources, management, training and orientation financial reporting and compliance, purchasing and procurement, education services, technology support and marketing communications.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

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

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**NOTE 12 - RECEIVABLES**

Receivables at June 30, 2021, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental Receivables</b>	<u>Amount</u>
IDEA Part B	\$ 4,668
Title I	19,391
Title II-A	927
Title IV-A	1,428
ESSER II	331,059
Coronavirus Relief Fund	11,386
CRRS	20,535
ECSE	171
EOEC	<u>4,262</u>
Total Intergovernmental Receivables	<u>\$ 393,827</u>

**NOTE 13 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets' errors and omissions; and natural disasters. As part of its management agreement with Performance Academies, Inc., Performance Academies, Inc. has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

**NOTE 14 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Academy. The Academy's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the number of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 15- SUBSEQUENT EVENT**

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES' RETIREMENT SYSTEM (SERS) OF OHIO  
LAST EIGHT FISCAL YEARS (1)**

	2021	2020	2019	2018
Academy's Proportion of the Net Pension Liability	0.0038736%	0.0043404%	0.0046056%	0.0041778%
Academy's Proportionate Share of the Net Pension Liability	\$ 256,208	\$ 259,694	\$ 263,771	\$ 249,614
Academy's Covered Payroll	\$ 137,014	\$ 146,778	\$ 154,904	\$ 134,600
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.99%	176.93%	170.28%	185.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

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

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

See accompanying notes to the required supplementary information



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2017	2016	2015	2014
0.0026339%	0.0017830%	0.002751%	0.002751%
\$ 192,777	\$ 101,740	\$ 139,227	\$ 163,593
\$ 125,543	\$ 89,090	\$ 79,928	\$ 83,490
153.55%	114.20%	174.19%	195.94%
62.98%	69.16%	71.70%	65.52%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS' RETIREMENT SYSTEM (STRS) OF OHIO  
LAST EIGHT FISCAL YEARS (1)**

	2021	2020	2019	2018
Academy's Proportion of the Net Pension Liability	0.00880596%	0.00884745%	0.01062061%	0.01045414%
Academy's Proportionate Share of the Net Pension Liability	\$ 2,130,728	\$ 1,956,560	\$ 2,335,234	\$ 2,483,403
Academy's Covered Payroll	\$ 1,062,743	\$ 1,038,721	\$ 1,207,386	\$ 1,149,307
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	216.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%

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

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

See accompanying notes to the required supplementary information

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<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.01039085%	0.00973378%	0.00888764%	0.00888764%
\$ 3,478,131	\$ 2,690,132	\$ 2,161,782	\$ 2,575,100
\$ 1,093,314	\$ 1,015,557	\$ 908,069	\$ 853,331
318.13%	264.89%	238.06%	301.77%
66.80%	72.10%	74.70%	69.30%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION  
SCHOOL EMPLOYEES' RETIREMENT SYSTEM (SERS) OF OHIO  
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 20,675	\$ 19,182	\$ 19,815	\$ 20,912	\$ 18,844
Contributions in Relation to the Contractually Required Contribution	<u>(20,675)</u>	<u>(19,182)</u>	<u>(19,815)</u>	<u>(20,912)</u>	<u>(18,844)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$ 147,679	\$ 137,014	\$ 146,778	\$ 154,904	\$ 134,600
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 17,576	\$ 11,742	\$ 11,078	\$ 11,555	\$ 10,687
<u>(17,576)</u>	<u>(11,742)</u>	<u>(11,078)</u>	<u>(11,555)</u>	<u>(10,687)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 125,543	\$ 89,090	\$ 79,928	\$ 83,490	\$ 79,457
14.00%	13.18%	13.86%	13.84%	13.45%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION  
STATE TEACHERS' RETIREMENT SYSTEM (STRS) OF OHIO  
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 148,096	\$ 148,784	\$ 145,421	\$ 169,034	\$ 160,903
Contributions in Relation to the Contractually Required Contribution	<u>(148,096)</u>	<u>(148,784)</u>	<u>(145,421)</u>	<u>(169,034)</u>	<u>(160,903)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$1,057,829	\$1,062,743	\$1,038,721	\$1,207,386	\$1,149,307
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 153,064	\$ 142,178	\$ 118,049	\$ 110,933	\$ 102,927
<u>(153,064)</u>	<u>(142,178)</u>	<u>(118,049)</u>	<u>(110,933)</u>	<u>(102,927)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,093,314	\$1,015,557	\$ 908,069	\$ 853,331	\$ 791,746
14.00%	14.00%	13.00%	13.00%	13.00%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES' RETIREMENT SYSTEM (SERS) OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.0036719%	0.0043014%	0.00451320%	0.00394230%	0.00348321%
Academy's Proportionate Share of the Net OPEB Liability	\$ 79,804	\$ 108,171	\$ 125,208	\$ 105,801	\$ 99,284
Academy's Covered Payroll	\$ 137,014	\$ 146,778	\$ 154,904	\$ 134,600	\$ 125,543
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	58.25%	73.70%	80.83%	78.60%	79.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE TEACHERS' RETIREMENT SYSTEM (STRS) OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Liability/Asset	0.00880596%	0.00884745%	0.01062061%	0.01045414%	0.01039085%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (154,764)	\$ (146,535)	\$ (170,662)	\$ 407,882	\$ 555,705
Academy's Covered Payroll	\$ 1,062,743	\$ 1,038,721	\$ 1,207,386	\$ 1,149,307	\$ 1,093,314
Academy's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

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

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

See accompanying notes to the required supplementary information

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - OPEB  
SCHOOL EMPLOYEES' RETIREMENT SYSTEM (SERS) OF OHIO  
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution (1)	\$ -	\$ 714	\$ 2,672	\$ 2,506	\$ 774
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>(714)</u>	<u>(2,672)</u>	<u>(2,506)</u>	<u>(774)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Academy Covered Payroll	\$ 147,679	\$ 137,014	\$ 146,778	\$ 154,904	\$ 134,600
OPEB Contributions as a Percentage of Covered Payroll (1)	0.00%	0.52%	1.82%	1.62%	0.58%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 292	\$ 731	\$ 123	\$ 134	\$ 437
<u>(292)</u>	<u>(731)</u>	<u>(123)</u>	<u>(134)</u>	<u>(437)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 125,543	\$ 89,090	\$ 79,928	\$ 83,490	\$ 79,457
0.23%	0.82%	0.15%	0.16%	0.55%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - OPEB  
STATE TEACHERS' RETIREMENT SYSTEM (STRS) OF OHIO  
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$1,057,829	\$1,062,743	\$1,038,721	\$1,207,386	\$1,149,307
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ 8,776	\$ 8,533	\$ 7,917
<u>-</u>	<u>-</u>	<u>(8,776)</u>	<u>(8,533)</u>	<u>(7,917)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,093,314	\$1,015,557	\$908,069	\$853,331	\$791,746
0.00%	0.00%	1.00%	1.00%	1.00%

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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***Net Pension Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2021.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% 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 2018-2020.

***Changes in assumptions- SERS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

***Changes in benefit terms – STRS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2021.

***Changes in assumptions – STRS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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***Net OPEB Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2020.

***Changes in Assumptions – SERS***

Amounts reported for fiscal years 2018-2021 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**Municipal Bond Index Rate:**

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

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

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

**Medicare Trend Assumption**

**Medicare**

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

**Pre - Medicare**

Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

***Changes in Assumptions – STRS***

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

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

***Changes in Benefit Terms – STRS***

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 2020.

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 2020, claims 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% to 1.984 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% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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



**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	Assistance Listing Number	Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
<i>Passed through Ohio Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 30,128
COVID-19 - School Breakfast Program	10.553	1,283
National School Lunch Program	10.555	47,586
COVID-19 - National School Lunch Program	10.555	2,011
Total Child Nutrition Cluster		<u>81,008</u>
<b>Total U.S. Department of Agriculture</b>		<u>81,008</u>
<b><u>U.S. Department of Education</u></b>		
<i>Passed through Ohio Department of Education</i>		
Title I - Grants to Local Educational Agencies	84.010	199,703
Title I - Grants to Local Educational Agencies - Expanding Opportunities	84.010A	4,262
<i>Total ALN #84.010</i>		<u>203,965</u>
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	56,011
Special Education Preschool Grants	84.173	171
Total Special Education Cluster		<u>56,182</u>
Improving Teacher Quality State Grants	84.367	10,456
Student Support and Academic Enrichment Program	84.424	17,136
COVID-19 - Education Stabilization Fund - ESSER I	84.425D	188,881
COVID-19 - Education Stabilization Fund - ESSER II	84.425D	331,059
<i>Total ALN #84.425</i>		<u>519,940</u>
<b>Total U.S. Department of Education</b>		<u>807,679</u>
<b><u>U.S. Department of Treasury</u></b>		
<i>Passed through Ohio Department of Education</i>		
COVID-19 - Coronavirus Relief Fund - CRF Other Education Entities	21.019	11,386
<b>Total U.S. Department of Treasury</b>		<u>11,386</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 900,073</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Northland Preparatory and Fitness Academy under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Northland Preparatory and Fitness Academy, it is not intended to and does not present the financial position, changes in net position or cash flows of the Northland Preparatory and Fitness Academy.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

The Northland Preparatory and Fitness Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

# JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Members of the Board  
Northland Preparatory and Fitness Academy  
Columbus, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Northland Preparatory and Fitness Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 30, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy, and the school foundation aid received from the State of Ohio will be funded through the direct funding model.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 30, 2021

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of the Board  
Northland Preparatory and Fitness Academy  
Columbus, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the Northland Preparatory and Fitness Academy, Franklin County, Ohio's (the Academy) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2021. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Northland Preparatory and Fitness Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 30, 2021

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2021(i)	Type of Financial Statement Opinion	Unmodified
2021(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2021(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2021(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2021(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2021(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2021(v)	Type of Major Programs' Compliance Opinions	Unmodified
2021(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2021(vii)	Major Programs (list):  Education Stabilization Fund - ALN #84.425D	
2021(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2021(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The prior audit report, as of June 30, 2020, included no citations or instances of noncompliance.



# OHIO AUDITOR OF STATE KEITH FABER



**NORHLAND PREPARATORY AND FITNESS ACADEMY**

**FRANKLIN 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 3/17/2022**

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

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