



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CENTRAL ACADEMY
SENECA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2021-2020

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OHIO AUDITOR OF STATE
KEITH FABER



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Governing Board
North Central Academy
928 West Market Street, Suite B
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the North Central Academy, Seneca County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2019 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 North Central 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 03, 2022

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*North Central Academy
Seneca County
For the Years Ended June 30, 2021 and 2020
Table of Contents*

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis – For the Fiscal Year Ended June 30, 2021	3
Basic Financial Statements – For the Fiscal Year Ended June 30, 2021:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2021	10
Management’s Discussion and Analysis – For the Fiscal Year Ended June 30, 2020	17
Basic Financial Statements – For the Fiscal Year Ended June 30, 2020:	
Statement of Net Position.....	21
Statement of Revenues, Expenses and Changes in Net Position.....	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020.....	24
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

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INDEPENDENT AUDITOR'S REPORT

North Central Academy
Seneca County
928 West Market Street
Tiffin, Ohio 44883

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Academy, Seneca County, Ohio (the Academy), as of and for the years ended June 30, 2021 and 2020, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy, as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the 2021 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
January 28, 2022

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management's discussion and analysis of North Central Academy (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 notes to the basic financial statements and the financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position increased \$122,584 which represents a 66.44% increase from fiscal year 2020.
- The Academy had operating revenues of \$1,094,290, operating expenses of \$1,279,352 and non-operating revenues of \$307,646 during fiscal year 2021. The total change in net position for the year was an increase of \$122,584.

Using these Basic Financial Statements

This annual report consists of three parts, management's discussion and analysis, the financial statements and the notes to the financial statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

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 to determine how well the Academy has performed financially through June 30, 2021. These statements include *all assets, liabilities, 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 statements report the Academy's *net position* and changes in that position. This change in net position tells the reader whether, for the Academy's 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 meets 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 basic financial statements.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below provides a summary of the Academy's net position for at June 30, 2021 and June 30, 2020.

	Net Position	
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets	\$ 321,223	\$ 198,845
Capital assets, net	<u>5,838</u>	<u>1,437</u>
Total assets	<u>327,061</u>	<u>200,282</u>
<u>Liabilities</u>		
Current liabilities	<u>19,970</u>	<u>15,775</u>
Total liabilities	<u>19,970</u>	<u>15,775</u>
<u>Net Position</u>		
Investment in capital assets	5,838	1,437
Restricted	60,707	39,282
Unrestricted	<u>240,546</u>	<u>143,788</u>
Total net position	<u>\$ 307,091</u>	<u>\$ 184,507</u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2021, the Academy's net position totaled \$307,091.

Current assets represent cash held in a depository account, prepayments and materials and supplies inventory. The increase was primarily the result of an increase in cash.

Current liabilities represent accounts payables for purchased services and intergovernmental payables.

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below shows the changes in net position for fiscal years 2021 and 2020.

Change in Net Position

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues:</u>		
State foundation	\$ 648,674	\$ 576,004
State foundation - special education	426,996	380,501
Sales	2,711	3,878
Other	<u>15,909</u>	<u>1,614</u>
Total operating revenue	<u>1,094,290</u>	<u>961,997</u>
<u>Operating Expenses:</u>		
Purchased services	1,186,492	1,082,631
Materials and supplies	79,041	39,346
Other	10,941	14,065
Depreciation	1,999	1,755
Fringe benefits	<u>879</u>	<u>73</u>
Total operating expenses	<u>1,279,352</u>	<u>1,137,870</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	<u>301,287</u>	<u>218,500</u>
Total non-operating revenues	<u>301,287</u>	<u>218,500</u>
Change in net position	122,584	42,627
Net position at beginning of year	<u>184,507</u>	<u>141,880</u>
Net position at end of year	<u>\$ 307,091</u>	<u>\$ 184,507</u>

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 77.08% of total operating and non-operating revenues during fiscal year 2021. Purchased services comprise 92.74% of operating expenses during fiscal year 2021.

The purchased services increased \$103,861 from fiscal year 2020. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). This increase can be attributed to a increase in many expenses related to operating the Academy and providing personnel services to the students.

The Academy's Federal and State grants consisted of the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, and the Improving Teacher Quality Title II-A grant, Title VI-A Student Support and Academic Enrichment grant, the School Quality Improvement grant, the Elementary and Secondary School Emergency Relief (ESSER) grant, and the Broadband Connectivity grant. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Capital Assets

At June 30, 2021, Academy had \$5,838 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	<u>2021</u>	<u>2020</u>
<u>Capital assets, net of depreciation</u>		
Furniture, fixtures, and equipment	<u>5,838</u>	<u>1,437</u>
Total net position	<u>\$ 5,838</u>	<u>\$ 1,437</u>

Debt Administration

At June 30, 2021, the Academy had no debt obligations outstanding.

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2021 is the Academy's 12th year of operations as an at-risk school serving students in grades 6-12.

The primary challenge today is the uncertainty of future funding. Over the last few years, the administration has made an effort to seek out grant funding to aid with providing new programming opportunities for the students and faculty. The Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties has provided grant funding to help off-set the costs of a mental health counselor and fund an innovative prevention based theatre class elective. Receipt of the School Quality Improvement Grant has allowed the Academy to re-evaluate programs and put in place new initiatives to aid in improving student performance. The impact of these grants has had a positive but temporary impact on the financial health of the Academy. The fluctuation of the State of Ohio community school funding method, which bases monthly foundation on daily enrollment records of our "at-risk" students, make it a constant challenge to meet the needs of our Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC provides all personnel to the Academy under a purchased service contract. In addition, the Sponsor reserves the right to provide such additional local resources as are necessary to reasonably ensure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central Academy finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lynette Cameron, Treasurer, North Central Academy, 928 W. Market Street, Tiffin, Ohio 44883.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

Assets:	
Current assets:	
Cash	\$ 299,205
Receivables:	
Intergovernmental	21,857
Materials and supplies inventory	161
	<hr/>
Total current assets	321,223
Non-current assets:	
Depreciable capital assets, net	5,838
	<hr/>
Total assets	327,061
	<hr/>
Liabilities:	
Current liabilities:	
Accounts payable	12,431
Intergovernmental payable	7,539
	<hr/>
Total liabilities	19,970
	<hr/>
Net position:	
Investment in capital assets	5,838
Restricted for:	
Public school support	2,150
Locally funded programs	10,318
State programs	39,388
Other purposes	8,851
Unrestricted	240,546
	<hr/>
Total net position	\$ 307,091
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

Operating revenues:	
State foundation	\$ 648,674
State foundation - special education	426,996
Sales	2,711
Other	15,909
Total operating revenues	<u>1,094,290</u>
Operating expenses:	
Purchased services	1,186,492
Materials and supplies	79,041
Other	10,941
Depreciation	1,999
Fringe benefits	879
Total operating expenses	<u>1,279,352</u>
Operating loss	<u>(185,062)</u>
Non-operating revenues:	
Federal and state grants	<u>307,646</u>
Total nonoperating revenues	<u>307,646</u>
Change in net position	122,584
Net position at beginning of year	<u>184,507</u>
Net position at end of year	<u><u>\$ 307,091</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

Cash flows from operating activities:	
Cash received from State foundation	\$ 1,072,801
Cash received from sales	2,711
Cash received from other operations	3,051
Cash payments for fringe benefits	(928)
Cash payments for contractual services	(1,189,537)
Cash payments for materials and supplies	(70,997)
Cash payments for other expenses	(10,327)
	(193,226)
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	302,084
	302,084
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,400)
	(6,400)
Net cash used in capital and related financing activities	
	(6,400)
Net change in cash and cash equivalents	102,458
Cash and cash equivalents at beginning of year	196,747
Cash and cash equivalents at end of year	\$ 299,205
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (185,062)
Adjustments:	
Depreciation	1,999
Changes in assets and liabilities:	
Prepayments	746
Materials and supplies inventory	394
Intergovernmental receivable	(15,498)
Accounts payable	12,431
Intergovernmental payable	(8,236)
	(8,236)
Net cash used in operating activities	\$ (193,226)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students aged 11-21 in grades 6-12. The Academy is nonsectarian in its programs, admission 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 was approved for sponsorship under contract resolution on May 14, 2010 with North Central Ohio Educational Service Center (the “Sponsor”) for a period of two years commencing on July 1, 2010 with automatic renewals for successive one-year terms.

Pursuant to the Sponsor’s authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services. The Sponsor has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for fiscal year 2021 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy’s use by the Sponsor including, but not limited, to portions of the Sponsor’s facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor’s sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor’s cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant 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.

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the 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 basic financial statements. The Academy’s basic financial statements are prepared using the accrual basis of accounting.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

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

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

Nonexchange 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 fiscal 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.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. 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.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

F. Cash

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2021, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first in, first out basis and are expensed when used. Inventories consist of expendable supplies held for consumption.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

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

I. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. During fiscal year 2021, the Academy maintained a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method. Building improvements and furniture, fixtures and equipment are depreciated over five years.

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for public school support, locally funded programs, and other purposes.

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

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

L. Intergovernmental Revenue

The Academy recently participated in the State Foundation Program through the Ohio Department of Education, the Network Connectivity Grant, the School Safety Training Grant, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title IV-A Student Support and Academic Enrichment grant, the Improving Teacher Quality Title II-A School Quality Improvement grant, the Elementary and Secondary School Elementary Relief grant, the Coronavirus Relief grant, and the Broadband Connectivity grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2021 was \$1,075,670. 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. Eligibility includes 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. Federal, State and local grant revenue for the fiscal year 2021 was \$301,287.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

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

M. Estimates

The preparation of basic 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.

N. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2021. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2021, the Academy has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

NOTE 4 - DEPOSITS

At June 30, 2021, the carrying amount of the Academy's deposits was \$299,205. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, the Academy's bank balance was \$307,876. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and 57,876 was exposed to custodial credit risk as described below.

Custodial credit risk is the risk that, in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

The Academy had no investments.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2021:

	Balance			Balance
	<u>06/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/21</u>
Governmental activities:				
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 4,373	\$ -	\$ -	\$ 4,373
Furniture and equipment	<u>353,671</u>	<u>6,400</u>	<u>(192,244)</u>	<u>167,827</u>
Total capital assets, being depreciated	<u>358,044</u>	<u>6,400</u>	<u>(192,244)</u>	<u>172,200</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,373)	-	-	(4,373)
Furniture and equipment	<u>(352,234)</u>	<u>(1,999)</u>	<u>192,244</u>	<u>(161,989)</u>
Total accumulated depreciation	<u>(356,607)</u>	<u>(1,999)</u>	<u>192,244</u>	<u>(166,362)</u>
Governmental activities capital assets, net	<u>\$ 1,437</u>	<u>\$ 4,401</u>	<u>\$ -</u>	<u>\$ 5,838</u>

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2021, purchased services expenses were as follows:

	<u>Amount</u>
Professional and technical services	\$ 1,114,302
Property services	50,304
Travel and meetings	3,257
Communications	8,779
Tuition	1,871
Pupil transportation	6,732
Other	<u>1,247</u>
Total	<u>\$ 1,186,492</u>

NOTE 7 - 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; injuries to contracted personnel; and natural disasters. For fiscal year 2021, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer.

NOTE 8 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 effect on the financial position of the Academy.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

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

NOTE 8 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State Foundation Funding

As of the date of this report, adjustments for fiscal year 2021 are finalized. The impact of FTE adjustments does not have a material impact on the financial statements.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2021 are finalized. The impact of FTE adjustments does not have a material impact on the financial statements.

NOTE 9 - SERVICE AND LEASE AGREEMENT

The Academy contracted with the Sponsor to provide oversight of its operations for a term of five year, commencing on July 1, 2017 and ending on June 30, 2022. All services are to be provided on a purchased service or reimbursement basis.

The Academy also entered into a lease agreement with the Sponsor to rent 928 West Market Street, Suite B, Tiffin, Ohio, from the Sponsor. The terms of the lease are for five years commencing on July 1, 2020 and ending on June 30, 2025. The Academy is to pay \$25,000 per year payable in monthly installments of \$2,083.33.

The Academy paid \$1,155,651 to the Sponsor for educational, fiscal and administrative services as well as rent for the fiscal year ended June 30, 2021.

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The Academy's investment portfolio and the pension and other employee benefits plan in which the Academy participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 11 - 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. For fiscal year 2021, the Academy reported \$1,045,948 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of North Central Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position increased \$42,627 which represents a 30.04% increase from fiscal year 2019.
- The Academy had operating revenues of \$961,997, operating expenses of \$1,137,870 and non-operating revenues of \$218,500 during fiscal year 2020. The total change in net position for the year was an increase of \$42,627.

Using these Basic Financial Statements

This annual report consists of three parts, management's discussion and analysis, the financial statements and the notes to the financial statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

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 to determine how well the Academy has performed financially through June 30, 2020. These statements include *all assets, liabilities, 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 statements report the Academy's *net position* and changes in that position. This change in net position tells the reader whether, for the Academy's 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 meets 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 basic financial statements.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below provides a summary of the Academy's net position for at June 30, 2020 and June 30, 2019.

	Net Position	
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets	\$ 198,845	\$ 140,423
Capital assets, net	<u>1,437</u>	<u>3,192</u>
Total assets	<u>200,282</u>	<u>143,615</u>
<u>Liabilities</u>		
Current liabilities	<u>15,775</u>	<u>1,735</u>
Total liabilities	<u>15,775</u>	<u>1,735</u>
<u>Net Position</u>		
Investment in capital assets	1,437	3,192
Restricted	39,282	12,514
Unrestricted	<u>143,788</u>	<u>126,174</u>
Total net position	<u>\$ 184,507</u>	<u>\$ 141,880</u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2020, the Academy's net position totaled \$184,507.

Current assets represent cash held in a depository account, prepayments and materials and supplies inventory. The increase was primarily the result of an amount due for a state foundation adjustment.

Current liabilities represent accounts payables for purchased services and intergovernmental payables.

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The table below shows the changes in net position for fiscal years 2020 and 2019.

	2020	2019
<u>Operating Revenues:</u>		
State foundation	\$ 576,004	\$ 617,257
State foundation - special education	380,501	371,794
Tuition and fees	-	150
Sales	3,878	2,537
Other	1,614	13,455
Total operating revenue	961,997	1,005,193
<u>Operating Expenses:</u>		
Purchased services	1,082,631	1,001,328
Materials and supplies	39,346	50,268
Other	14,065	8,873
Depreciation	1,755	2,099
Fringe benefits	73	-
Total operating expenses	1,137,870	1,062,568
<u>Non-operating Revenues:</u>		
Federal and State grants	218,500	134,756
Total non-operating revenues	218,500	134,756
Change in net position	42,627	77,386
Net position at beginning of year	141,880	64,494
Net position at end of year	\$ 184,507	\$ 141,880

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation and special education payments were 81.03% of total operating and non-operating revenues during fiscal year 2019. Purchased services comprise 95.15% of operating expenses during fiscal year 2020.

The purchased services increased \$81,303 from fiscal year 2019. The Academy operates using purchased services contracted with North Central Ohio Educational Service Center (the "ESC"). This increase can be attributed to a increase in many expenses related to operating the Academy and providing personnel services to the students.

The Academy's Federal and State grants consisted of the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, and the Improving Teacher Quality Title II-A grant, Title VI-A Student Support and Academic Enrichment grant and School Quality Improvement grant. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Capital Assets

At June 30, 2020, Academy had \$1,437 invested in furniture, fixtures and equipment, net of accumulated depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

	<u>2020</u>	<u>2019</u>
<u>Capital assets, net of depreciation</u>		
Furniture, fixtures, and equipment	<u>1,437</u>	<u>3,192</u>
Total net position	<u>\$ 1,437</u>	<u>\$ 3,192</u>

Debt Administration

At June 30, 2020, the Academy had no debt obligations outstanding.

Current Financial Related Activities

The mission of the Academy is to impact the lives of our students in a positive, safe, and supportive manner by teaching them the core values of teamwork, accountability, discipline, and respect for themselves and others. Fiscal year 2020 is the Academy's 11th year of operations as an at-risk school serving students in grades 6-12.

The primary challenge today is the uncertainty of future funding. Over the last few years, the administration has made an effort to seek out grant funding to aid with providing new programming opportunities for the students and faculty. The Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties has provided grant funding to help off-set the costs of a mental health counselor and fund an innovative prevention based theatre class elective. Receipt of the School Quality Improvement Grant has allowed the Academy to re-evaluate programs and put in place new initiatives to aid in improving student performance. The impact of these grants has had a positive but temporary impact on the financial health of the Academy. The fluctuation of the State of Ohio community school funding method, which bases monthly foundation on daily enrollment records of our "at-risk" students, make it a constant challenge to meet the needs of our Academy.

Pursuant to a Sponsorship Agreement, the North Central Ohio ESC provides all personnel to the Academy under a purchased service contract. In addition, the Sponsor reserves the right to provide such additional local resources as are necessary to reasonably ensure the operational viability of the Academy, including but not limited to: staff, equipment, instructional materials, curriculum, transportation, insurance coverage, and educational strategies as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the North Central Academy finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lynette Cameron, Treasurer, North Central Academy, 928 W. Market Street, Tiffin, Ohio 44883.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2020**

Assets:	
Current assets:	
Cash	\$ 196,747
Receivables:	
Intergovernmental.	797
Prepayments	746
Materials and supplies inventory.	555
Total current assets	<u>198,845</u>
Non-current assets:	
Depreciable capital assets, net	<u>1,437</u>
Total assets.	<u>200,282</u>
 Liabilities:	
Current liabilities:	
Intergovernmental payable	<u>15,775</u>
Total liabilities	<u>15,775</u>
 Net position:	
Investment in capital assets.	1,437
Restricted for:	
Public school support	2,598
Locally funded programs.	5,814
Restricted for state programs.	22,500
Federal programs.	392
Other purposes	7,978
Unrestricted.	<u>143,788</u>
Total net position.	<u>\$ 184,507</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating revenues:	
State foundation	\$ 576,004
State foundation - special education	380,501
Sales	3,878
Other	1,614
Total operating revenues	961,997
 Operating expenses:	
Purchased services.	1,082,631
Materials and supplies	39,346
Other.	14,065
Depreciation	1,755
Fringe benefits.	73
Total operating expenses.	1,137,870
 Operating loss	 (175,873)
 Non-operating revenues:	
Federal and state grants.	218,500
Total nonoperating revenues	218,500
 Change in net position	 42,627
 Net position at beginning of year.	 141,880
Net position at end of year	\$ 184,507

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Cash received from State foundation	\$ 956,466
Cash received from sales	3,878
Cash received from other operations	1,614
Cash payments for fringe benefits	(24)
Cash payments for contractual services	(1,068,449)
Cash payments for materials and supplies	(40,242)
Cash payments for other expenses	(14,083)
	(160,840)
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	217,703
	217,703
Net cash provided by noncapital financing activities.	217,703
Net change in cash and cash equivalents	56,863
Cash and cash equivalents at beginning of year	139,884
Cash and cash equivalents at end of year	\$ 196,747
	196,747
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (175,873)
Adjustments:	
Depreciation	1,755
Changes in assets and liabilities:	
Prepayments	(296)
Materials and supplies inventory	(466)
Accounts payable.	(182)
Intergovernmental payable.	14,222
	14,222
Net cash used in operating activities	\$ (160,840)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The North Central Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students aged 11-21 in grades 6-12. The Academy is nonsectarian in its programs, admission 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 was approved for sponsorship under contract resolution on May 14, 2010 with North Central Ohio Educational Service Center (the “Sponsor”) for a period of two years commencing on July 1, 2010 with automatic renewals for successive one-year terms.

Pursuant to the Sponsor’s authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services. The Sponsor has a signed contract agreement with the Academy that includes all purchased services including a licensed Treasurer, staff, therapists, etc. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for fiscal year 2020 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy’s use by the Sponsor including, but not limited, to portions of the Sponsor’s facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor’s sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor’s cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant 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.

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic 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 upon the accrual basis when the exchange takes place.

Nonexchange 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 fiscal 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.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. 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.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

F. Cash

Cash held by the Academy is reflected on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2020, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first in, first out basis and are expensed when used. Inventories consist of expendable supplies held for consumption.

I. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. During fiscal year 2020, the Academy maintained a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method. Building improvements and furniture, fixtures and equipment are depreciated over five years.

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for public school support, locally funded programs, and other purposes.

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

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

L. Intergovernmental Revenue

The Academy recently participated in the State Foundation Program through the Ohio Department of Education, the Network Connectivity Grant, the School Safety Training Grant, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title IV-A Student Support and Academic Enrichment grant, the Improving Teacher Quality Title II-A School Quality Improvement grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for fiscal year 2020 was \$956,505. 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. Eligibility includes 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. Federal, State and local grant revenue for the fiscal year 2020 was \$218,500.

M. Estimates

The preparation of basic 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.

N. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2020. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2020, the Academy has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

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

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS

At June 30, 2020, the carrying amount of the Academy's deposits was \$196,747. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, the Academy's entire bank balance of \$196,750 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

NOTE 5 - CAPITAL ASSETS

The Academy had the following capital asset activity for the fiscal year ended June 30, 2020:

	Balance 06/30/19	Additions	Deductions	Balance 06/30/20
Governmental activities:				
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 4,373	\$ -	\$ -	\$ 4,373
Furniture and equipment	353,671	-	-	353,671
Total capital assets, being depreciated	358,044	-	-	358,044
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,373)	-	-	(4,373)
Furniture and equipment	(350,479)	(1,755)	-	(352,234)
Total accumulated depreciation	(354,852)	(1,755)	-	(356,607)
Governmental activities capital assets, net	\$ 3,192	\$ (1,755)	\$ -	\$ 1,437

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2020, purchased services expenses were as follows:

	Amount
Professional and technical services	\$ 1,003,508
Property services	48,324
Travel and meetings	9,724
Communications	9,533
Tuition	4,004
Pupil transportation	4,893
Other	2,645
Total	\$ 1,082,631

NOTE 7 - 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; injuries to contracted personnel; and natural disasters. For fiscal year 2020, the Academy was named as an additional insured party on the Sponsor's insurance policy. The Academy provides \$25,000 in employee bond coverage for the Treasurer.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 8 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 effect on the financial position of the Academy.

B. Litigation

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

C. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2020.

As of the date of this report, adjustments for fiscal year 2020 are finalized. The impact of FTE adjustments does not have a material impact on the financial statements.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 are finalized. The impact of FTE adjustments does not have a material impact on the financial statements.

**NORTH CENTRAL ACADEMY
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 8 - CONTINGENCIES - (Continued)

D. 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 ensuing emergency measures will impact subsequent periods of the Academy. 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 9 - SERVICE AND LEASE AGREEMENT

The Academy contracted with the Sponsor to provide oversight of its operations for a term of five years, commencing on July 1, 2017 and ending on June 30, 2022. All services are to be provided on a purchased service or reimbursement basis.

The Academy also entered into a lease agreement with the Sponsor to rent 928 West Market Street, Suite B, Tiffin, Ohio, from the Sponsor. The terms of the lease are for five years commencing on July 1, 2015 and ending on June 30, 2020. The Academy is to pay \$25,000 per year payable in monthly installments of \$2,083.33.

The Academy paid \$275,978 to the Sponsor for educational, fiscal and administrative services as well as rent for the fiscal year ended June 30, 2020.



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

North Central Academy
Seneca County
928 West Market Street
Tiffin, Ohio 44883

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the North Central Academy, Seneca County, (the Academy) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 28, 2022, wherein we also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
January 28, 2022

OHIO AUDITOR OF STATE KEITH FABER



NORTH CENTRAL ACADEMY

SENECA 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 3/15/2022

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