bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2021

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PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
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OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Governing Board
Wildwood Environmental Academy
2125 University Park Drive
Okemos, MI 48864

We have reviewed the *Independent Auditor's Report* of the Wildwood Environmental Academy, Lucas County, prepared by BHM CPA Group, 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 Wildwood Environmental Academy is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 04, 2022

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WILDWOOD ENVIRONMENTAL ACADEMY
YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Wildwood Environmental Academy
Lucas County
2125 University Park Drive
Okemos, Michigan 48864

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Wildwood Environmental Academy, Lucas 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 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 opinion.

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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 the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the 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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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

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

The management's discussion and analysis of Wildwood Environmental Academy's 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 review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

In 2021,
- Total net position was $(2,470,872).
- Total assets were $1,357,412.
- Total deferred outflows of resources were $821,191.
- Total liabilities were $4,256,074.
- Total deferred inflows of resources were $393,401.

Using this Annual Report

This report includes the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the Academy did financially during fiscal year 2021. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader whether 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.

This report also includes required supplementary information concerning the Academy's net other post-employment benefits (OPEB) asset, net pension liability and net OPEB liability, and notes to the required supplementary information.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Position

Table I provides a summary of the Academy's net position for fiscal years 2021 and 2020:

TABLE 1	Governmental Activities	
	June 30	
	2021	2020
Assets		
Current assets	$ 1,083,005	$ 842,198
Noncurrent assets	7,042	7,042
Capital assets - net	47,566	2,659
Net OPEB asset	219,799	207,024
Total assets	1,357,412	1,058,923
Deferred Outflows of Resources		
Pension	715,507	751,856
OPEB	105,684	71,326
Total deferred outflows of resources	821,191	823,182
Liabilities		
Current liabilities	401,558	400,662
Noncurrent liabilities		
Due in more than one year		
Net pension liability	3,643,653	3,286,948
Net OPEB Liability	210,863	226,995
Total noncurrent liabilities	3,854,516	3,513,943
Total liabilities	4,256,074	3,914,605
Deferred Inflows of Resources		
Pension	19,351	161,948
OPEB	374,050	324,167
Total deferred inflows of resources	393,401	486,115
Net Position		
Invested in capital assets–net of related debt	47,566	2,659
Unrestricted (deficit)	(2,518,438)	(2,521,274)
Total net position (deficit)	$ (2,470,872)	$(2,518,615)

Statement of Net Position (continued)

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." In a prior period, the Academy also adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". 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 the net OPEB asset.

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

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

a) present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
b) 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. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2021 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

Statement of Net Position (continued)

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

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

Total net position for the Academy increased $47,743. Cash was $882,704. Capital assets (net of depreciation) increased $44,907 due to technology purchases made possible by Elementary and Secondary School Emergency Relief (ESSER), Coronavirus Relief, and eRate funding. Accrued wages decreased $32,129 due to a decrease in the bonus pool. Deferred revenue increased $21,860 due to increases in unspent School Safety and Student Wellness funds.

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Change in Net Position

Table 2 shows the changes in net position for fiscal years 2021 and 2020, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities For the year ended June 30 2021	2020
Operating Revenues		
Foundation payments	$ 2,790,570	$ 2,907,560
Food sales	3,169	11,568
Other revenues	144,591	75,399
Total operating revenues	2,938,330	2,994,527
Operating Expenses		
Salaries	1,960,616	1,857,517
Fringe benefits	890,361	924,178
Other purchased services	1,313,351	1,208,213
Materials and supplies	133,207	222,238
Depreciation (unallocated)	14,548	10,107
Other expenses	39,294	43,674
Total operating expenses	4,351,377	4,265,927
Operating loss	(1,413,047)	(1,271,400)
Nonoperating Revenues and Expenses		
Federal grants	790,864	511,615
State grants	668,955	807,491
Contributions and donations	358	2,092
Insurance proceeds	0	46,151
Special assessments	(537)	(524)
Refund of prior year expenditures (revenues)	1,150	(2,852)
Total nonoperating revenues and expenses	1,460,790	1,363,973
Increase in net position	47,743	92,573
Net position beginning of year	(2,518,615)	(2,611,188)
Net position end of year	$ (2,470,872)	$ (2,518,615)

Change in Net Position (continued)

Net position increased $47,743. Foundation payments decreased $116,990, due to lower enrollment. Other revenues increased $69,192 due to increased eRate rebates and Bureau of Workers Compensation dividends. Salaries increased $103,099 due to a 3% raise pool, stipends, and an increase in hours worked among hourly staff. Other purchased services increased $105,138 primarily due to increased spending on internet access funded by ESSER and Broadband Ohio funding, and increased contracted food services related to the COVID-19 pandemic.

Capital Assets

At the end of fiscal year 2021, the Academy had $47,566 invested in furniture, fixtures, and equipment and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2021 and 2020.

TABLE 3	Net Capital Assets As of June 30	
	2021	2020
Furniture, fixtures and equipment	$ 47,566	$ 2,659
Total capital assets	$ 47,566	$ 2,659

For more information on capital assets, see Note 6 to the basic financial statements.

Current Financial Issues

Wildwood Environmental Academy was formed in 2004 under a contract with the Ohio Council of Community Schools. During the 2020-2021 school year there were 345 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2021 amounted to $2,790,570.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The state of emergency in the State of Ohio ended on June 18, 2021, while the state of emergency in the United States was extended until February 24, 2022. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the Academy.

Contacting the Academy's Financial Management

The 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 funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky
Vice President of Finance
The Leona Group, LLC
2125 University Park Drive, Okemos, MI 48864
melinda.benkovsky@leonagroup.com

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Net Position
June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	$ 882,704
Accounts receivable	1,823
Intergovernmental receivable	186,897
Prepaid items	11,581
Total current assets	1,083,005
Noncurrent Assets	
Security deposits	7,042
Depreciable capital assets, net	47,566
Net OPEB asset	219,799
Total noncurrent assets	274,407
Total Assets	1,357,412
Deferred Outflows of Resources	
Pension	715,507
OPEB	105,684
Total Deferred Outflows of Resources	821,191
Liabilities	
Current Liabilities	
Accounts payable	29,050
Contracts payable	26,321
Accrued wages payable	288,385
Intergovernmental payable	1,468
Deferred revenue	47,981
STRS-SERS payable	8,353
Total current liabilities	401,558
Noncurrent Liabilities	
Due in more than one year	
Net pension liability	3,643,653
Net OPEB liability	210,863
Total noncurrent liabilities	3,854,516
Total Liabilities	4,256,074
Deferred Inflows of Resources	
Pension	19,351
OPEB	374,050
Total Deferred Inflows of Resources	393,401
Net Position	
Net investment in capital assets	47,566
Unrestricted (deficit)	(2,518,438)
Total Net Position	$ (2,470,872)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2021

Operating Revenues	
Foundation payments	$ 2,790,570
Food services	3,169
Other revenues	144,591
Total operating revenues	2,938,330
Operating Expenses	
Salaries	1,960,616
Fringe benefits	890,361
Other purchased services	1,313,351
Materials and supplies	133,207
Depreciation	14,548
Other	39,294
Total operating expenses	4,351,377
Operating Loss	(1,413,047)
Nonoperating Revenues and Expenses	
Federal grants	790,864
State grants	668,955
Contributions and donations	358
Special assessments	(537)
Refund of prior year revenues	1,150
Total nonoperating revenues and expenses	1,460,790
Change in Net Position	47,743
Net Position Beginning of Year (deficit)	(2,518,615)
Net Position End of Year (deficit)	$(2,470,872)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash received from State of Ohio	$2,791,322
Cash received for food services	2,475
Cash received from other operating revenues	146,864
Cash payments to suppliers for goods and services	(4,122,025)
Net Cash Used for Operating Activities	(1,181,364)
Cash Flows from Noncapital Financing Activities	
Other nonoperating revenues	
Federal grants received	803,536
State grants received	674,841
Contributions and donations	358
Special assessments	(524)
Refund of prior year receipts	1,150
Net Cash Provided by Noncapital Financing Activities	1,479,361
Cash Flows from Capital and Related Financing Activities	
Payments for capital acquisitions	(59,455)
Net Cash Used for Capital and Related Financing Activities	(59,455)
Net Increase in Cash and Cash Equivalents	238,542
Cash and Cash Equivalents at Beginning of Year	644,162
Cash and Cash Equivalents at End of Year	$ 882,704

(Continued)

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	$(1,413,047)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	14,548
Changes in assets and liabilities:	
Increase in accounts receivable	(694)
Decrease in intergovernmental receivable	2,939
Increase in prepaid items	(1,208)
Increase in net OPEB asset	(12,775)
Decrease in deferred outflows-pension	36,349
Increase in deferred outflows-OPEB	(34,358)
Increase in accounts payable	5,602
Increase in contracts payable-LOEG	449
Increase in contracts payable-TLG	12,637
Decrease in accrued wages and benefits	(32,129)
Increase in intergovernmental payable	1,010
Decrease in STRS-SERS payable	(8,546)
Increase in net pension liability	356,705
Decrease in net OPEB liability	(16,132)
Decrease in deferred inflows-pension	(142,597)
Increase in deferred inflows-OPEB	49,883
Total Adjustments	231,683
Net Cash Used for Operating Activities	$(1,181,364)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Wildwood Environmental Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On April 2, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of four years through June 30, 2007, with a seven-year extension through June 30, 2014, a five-year extension through June 30, 2019, and a current five-year extension through June 30, 2024. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. For 2021, the Academy paid $88,283 to the Sponsor.

The Academy operates under the direction of a six-member governing board. The governing board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The governing board controls the Academy's instructional/support facility staffed by thirty-seven certificated personnel and thirty non-certificated personnel who provide services to 345 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 14).

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. The fiscal officer is retained by the board of directors and is not affiliated with TLG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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. Descriptions of the more significant of the Academy's accounting policies follow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenue, expenses, and change in net position, and a statement of cash flows. Enterprise fund 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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and change in net position presents 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 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. 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 Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and cash equivalents" on the Statement of Net Position. The Academy had no investments during the fiscal year ended June 30, 2021.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2021 are considered collectible in full and will be received within one year.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method. A summary of capital asset activity can be found in Note 6. Cost thresholds and useful lives are as follows:

Capitalization and Depreciation Policy

Category	Cost Threshold	Useful Life
Leasehold improvements	Professional judgement not less than $25,000	Life of Lease
Furniture, fixtures, and equipment	Individual item - $5,000 Sum of like items in a single purchase - $12,500	7 years
EDP equipment and software		3 years
Non-EDP equipment		6 years

H. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

I. 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. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 63,44% of the Academy's revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which eligibility requirements have been met.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Tax Status

The Academy is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

M. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $7,042, is held by the lessor (See Note 12).

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and other post-employment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources consist of pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 8 and 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pensions/Other Post-Employment Benefits (OPEB)

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

3. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For fiscal year ended June 30, 2021, the Academy continued to implement 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 by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The implementation of GASB Statement No. 95 did not have an effect on the financial statements of the Academy.

4. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy.

A. Cash on Hand

At June 30, 2021, the carrying amount of all Academy deposits was $882,704. At June 30, 2021, the Academy's bank balance was $882,704. $632,704 was exposed to custodial credit risk as discussed below, and $250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

B. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

5. RECEIVABLES

Receivables at June 30, 2021, consisted of intergovernmental grants and miscellaneous receipts and refunds. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables

Source	June 30, 2021
Intergovernmental receivable:	
Title I	$ 37,383
Title IIa	3,833
Title IV	1,992
IDEA	25,405
ESSER I	15,942
Child nutrition	42,491
SERS-STRS due from other schools	86
Medicaid	39,448
Casino tax revenue	10,556
Final FTE #1	9,761
Total intergovernmental receivable	$ 186,897
Accounts receivable	
Food sales	$ 1,080
Vendor refund	743
Total accounts receivable	$ 1,823

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 is as follows:

Capital Asset Activity

Business-Type Activity	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets being depreciated:				
Furniture, fixtures, and equipment	$ 263,475	$ 59,455	$ 0	$ 322,930
Leasehold improvements	392,948	0	0	392,948
Total depreciable capital assets	656,423	59,455	0	715,878
Less accumulated depreciation:				
Furniture, fixtures, and equipment	(260,816)	(14,548)	0	(275,364)
Leasehold improvements	(392,948)	0	0	(392,948)
Total accumulated depreciation	(653,764)	(14,548)	0	(668,312)
Total depreciable capital assets, net	$ 2,659	$ 44,907	$ 0	$ 47,566

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7. RISK MANAGEMENT

A. Property and Liability

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 employees; and natural disasters. During fiscal year 2021, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance and educational errors and omissions insurance. Coverage is as follows:

Insurance Coverages

Type	FY2021 Limits
Educational Errors and Omissions:	
D&O Liability and Employment Practices	$1,000,000
General Liability:	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Abuse/Molestation Per Occurrence/Aggregate	1,000,000
Umbrella	15,000,000
Property:	
Tenant's Improvements and Betterments	394,000
Personal Property	320,000
Business Income	350,000
Auto Liability:	
Combined Single Limit	1,000,000
Miscellaneous:	
Student Sports Per Occurrence	50,000
Student Sports Aggregate	500,000
Fiduciary and Crime	500,000
Cyber Liability	1,000,000

Cyber Liability coverage was reduced by $1,000,000 from the prior year. Foreign Travel coverage was discontinued due to travel restrictions related to COVID-19. Settled claims have not exceeded this coverage in any of the past three years. Any changes in coverage not previously explained are due to periodic reviews of the needs of the Academy.

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

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

A. Net Pension Liability/Net OPEB Liability (Asset)

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

The net pension/OPEB liability (asset) 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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/OPEB are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

8. DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description – Academy non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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 percent and with a floor of zero percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The Academy's contractually required contribution to SERS was $45,171 for fiscal year 2021. Of that amount, $2,352 is recorded as a net liability of the Academy.

8. DEFINED BENEFIT PENSION PLANS (continued)

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.

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. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for 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 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 plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $227,363 for fiscal year 2021. Of that amount, $28,036 is recorded as a net liability of the Academy.

D. Pension Liabilities, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability:			
Current measurement date	0.00933680%	0.01250637%	
Prior measurement date	0.00873660%	0.01249965%	
Change in proportionate share	0.00060020%	0.00000672%	
Proportionate share of the net pension liability	$ 617,556	$ 3,026,097	$ 3,643,653
Pension expense	$ 77,364	$ 445,627	$ 522,991

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

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

	SERS	STRS	Total
Deferred Outflows of Resources - Pension			
Differences between expected and actual experience	$ 1,201	$ 6,790	$ 7,991
Net difference between projected and actual earnings on pension plan investments	39,203	147,158	186,361
Changes of assumptions	0	162,443	162,443
Changes in proportion and differences between Academy contributions and proportionate share of contributions	20,842	65,336	86,178
Academy contributions subsequent to the measurement date	45,171	227,363	272,534
Total deferred outflows of resources - pension	$ 106,417	$ 609,090	$ 715,507
Deferred Inflows of Resources - Pension			
Differences between expected and actual experience	$ 0	$ 19,351	$ 19,351
Total deferred inflows of resources - pension	$ 0	$ 19,351	$ 19,351

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

$272,534 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Amortization of Deferred Outflows and Deferred Inflows - Pension

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	$ 13,068	$ 130,374	$ 143,442
2023	19,566	76,228	95,794
2024	16,340	87,693	104,033
2025	12,272	68,081	80,353
Total to be amortized	$ 61,246	$ 362,376	$ 423,622

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 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. Future benefits for all current plan members were projected through 2130.

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.

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

Calculating Total Pension Liability - SERS

Method	Assumption
Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal (Level Percent of Payroll, Closed)
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investment expense, including inflation
COLA or ad hoc COLA	2.50 percent, on and after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Future salary increases, including inflation	3.50 percent to 18.20 percent
Wage inflation	3.00 percent

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

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

Real Rates of Return on Pension Plan Investments - SERS

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 strategy	5.00	6.65
	100.00 %	

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

Sensitivity to Changes in Discount Rate - SERS

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	$ 845,976	$ 617,556	$ 425,907

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, are presented below:

Calculating Total Pension Liability - STRS

Method	Assumption
Valuation date	June 30, 2020
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016
Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Projected payroll growth	3.00 percent
Cost-of-living adjustments (COLA)	0.00 percent

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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.

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:

Real Rates of Return on Pension Plan Investments - STRS

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
	100.00 %	

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the Academy's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

Sensitivity to Changes in Discount Rate - STRS

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	$ 4,308,635	$ 3,026,097	$ 1,939,252

9. DEFINED BENEFIT OPEB PLANS

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

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

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

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

9. DEFINED BENEFIT OPEB PLANS (continued)

A. Plan Description - School Employees Retirement System (SERS) (continued)

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 the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was $6,333, which is reported as a component of STRS-SERS payable.

B. 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 were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

9. DEFINED BENEFIT OPEB PLANS (continued)

C. Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the net OPEB liability:			
Current measurement date	0.00970230%	0.01250637%	
Prior measurement date	0.00902640%	0.01249965%	
Change in proportionate share	0.00067590%	0.00000672%	
Proportionate share of the net OPEB liability (asset)	$ 210,863	$ (219,799)	$ (8,936)
OPEB expense	$ 3,399	$ (10,448)	$ (7,049)

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

	SERS	STRS	Total
Deferred Outflows of Resources - OPEB			
Differences between expected and actual experience	$ 2,770	$ 14,082	$ 16,852
Net difference between projected and actual earnings on OPEB plan investments	2,377	7,704	10,081
Changes of assumptions	35,945	3,628	39,573
Changes in proportion and differences between Academy contributions and proportionate share of contributions	16,969	15,876	32,845
Academy contributions subsequent to the measurement date	6,333	0	6,333
Total deferred outflows of resources - OPEB	$ 64,394	$ 41,290	$ 105,684
Deferred Inflows of Resources - OPEB			
Differences between expected and actual experience	$ 107,238	$ 43,783	$ 151,021
Changes of assumptions	5,310	208,773	214,083
Changes in proportion and differences between Academy contributions and proportionate share of contributions	1,723	7,223	8,946
Total deferred inflows of resources - OPEB	$ 114,271	$ 259,779	$ 374,050

9. DEFINED BENEFIT OPEB PLANS (continued)

C. Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

$6,333 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Outflows and Deferred Inflows - OPEB

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	$ (11,553)	$ (54,142)	$ (65,695)
2023	(11,381)	(48,928)	(60,309)
2024	(11,407)	(47,097)	(58,504)
2025	(11,384)	(46,233)	(57,617)
2026	(8,096)	(11,470)	(19,566)
Thereafter	(2,389)	(10,619)	(13,008)
Total to be amortized	$ (56,210)	$ (218,489)	$ (274,699)

D. 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.

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

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

Calculating Total OPEB Liability - SERS

Method	Assumption
Valuation date	June 30, 2020
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investment expense, including inflation
Inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Municipal bond index rate	
Measurement date	2.45 percent
Prior measurement date	3.13 percent
Single equivalent interest rate	
Measurement date	2.63 percent, net of plan investment expense, including price inflation
Prior measurement date	3.22 percent, net of plan investment expense, including price inflation
Medical trend assumption	
Pre-Medicare	7.00 percent – 4.75 percent
Medicare	5.25 percent – 4.75 percent

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

The long-term expected rate of return on plan 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 (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 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 time frame. 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.

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

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:

Real Rates of Return on OPEB Plan Investments - SERS

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 strategy	5.00	6.65
	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 plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

Sensitivity to Changes in Discount Rate - SERS

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$ 258,091	$ 210,863	$ 173,317

Sensitivity to Changes in Trend Rate - SERS

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$ 166,038	$ 210,863	$ 270,804

E. 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 are presented below:

Calculating Total OPEB Liability - STRS

Method	Assumption	
Valuation date	June 30, 2020	
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016	
Inflation	2.50 percent	
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll increases	3.00 percent	
Investment rate of return	7.45 percent, net of investment expenses, including inflation	
Discount rate of return	7.45 percent	
Health care cost trends		
Medical	Initial	Ultimate
Pre-Medicare	5.00 percent	4.00 percent
Medicare	(6.69) percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

9. DEFINED BENEFIT OPEB PLANS (continued)

E. Actuarial Assumptions – STRS (continued)

For healthy retirees the mortality rates 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. For disabled retirees, 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.

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

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:

Real Rates of Return on OPEB Plan Investments - STRS

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
	100.00 %	

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

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

9. DEFINED BENEFIT OPEB PLANS (continued)

E. Actuarial Assumptions – STRS (continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate 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 of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

Sensitivity to Changes in Discount Rate - STRS

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB asset	$ (191,240)	$ (219,799)	$ (244,031)

Sensitivity to Changes in Trend Rate - STRS

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	$ (242,527)	$ (219,799)	$ (192,114)

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

10. 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 funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2021, if applicable, cannot be determined at this time.

B. COVID-19

The United States and the State of Ohio declared states of emergency in March 2020 due to the COVID-19 pandemic. The state of emergency in the State of Ohio ended on June 18, 2021, and the state of emergency in the United States was extended until February 24, 2022. The financial impact of COVID-19 and the continuing emergency measures may affect subsequent periods of the Academy. The investments of the pension, OPEB, and other Academy 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 amount 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.

C. State 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.

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

In addition, the Academy’s contracts with Ohio Council of Community Schools and The Leona Group, LLC, require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2021 are finalized. The impact related to additional reconciliations necessary with these contracts does not have a material impact on the Academy's financial statements.

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2021, purchased service expenses were payments for services rendered by various vendors and expenses related to pension and OPEB, as follows:

Purchased Services

Category	FY2021
Salaries	$1,960,616
Fringe benefits	890,361
Other professional and technical services	63,362
The Leona Group, LLC	515,243
Legal services	908
Ohio Council of Community Schools	88,283
Cleaning services	30,719
Repairs and maintenance	52,972
Building rental	244,476
Other rentals	18,369
Communication	83,775
Advertising	261
Utilities	56,664
Contracted food service	158,319
Total purchased services	$4,164,328

12. OPERATING LEASES

On July 21, 2004, the Academy entered into a lease with SMJ Properties, LLC for the use of a school facility for the period from September 1, 2004 through August 31, 2009, with an annual rent of $84,504, due in equal monthly installments. On February 26, 2009, the lease was extended through August 31, 2014. On April 10, 2014 the lease was extended through August 31, 2019. On May 9, 2019, the lease was extended through June 30, 2024, with a monthly rent increase to $9,373 effective September 1, 2019. Payments made under the lease totaled $112,476 for fiscal year 2021. Under the lease agreement, the Academy is responsible for paying all utilities and applicable property taxes. The Academy has the option to terminate the lease at any time more than three years after commencement of the lease by giving SMJ Properties, LLC six months' prior written notice if either (i) any changes in any federal, state, or local law or regulation mandate the expenditure by lessee of $100,000 or more to modify or improve the school facility and an acceptable lease amendment addressing that issue is not negotiated within the six-month period or (ii) actual funding from the State of Ohio is reduced to such an extent that the Academy permanently ceases operation, provided that the Academy has sought adequate funding.

On February 23, 2012, the Academy entered into a lease of a second facility for the period from August 1, 2012 through June 30, 2017 with Leona Wildwood Property Acquisition, LLC, with annual rent of $120,000. On May 23, 2017, the lease was extended through June 30, 2018. On May 1, 2018, the lease was extended through June 30, 2019. On May 9, 2019, the lease was extended through June 30, 2024. Annual rent during the extension is $132,000 for years one and two, $144,000 for years three and four, and $150,000 for year five. Payments made under the lease totaled $144,000 for fiscal year 2021. Leona Wildwood Property Acquisition, LLC, is a TLG-affiliated company.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2021:

Future Minimum Lease Payments Due

Fiscal Year Ending June 30,	Amount
2022	$ 256,476
2023	256,476
2024	262,476
Total minimum lease payments	$ 775,428

13. DEBT

There were no foundation anticipation or other notes payable during 2021.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, and amended on August 7, 2007 to extend an additional two years through June 30, 2014, with an automatic one-year extension, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. The contract was extended through fiscal year 2016. On June 28, 2016, a new three-year contract was executed, effective through June 30, 2019. On June 12, 2019, the contract was amended to extend through June 30, 2024. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12% of the per-pupil expenditures, with grant administration fees, if any, deducted directly from the fee. The Academy incurred capitation fees of $515,243 for fiscal year 2021.

Terms of the management contracts require The Leona Group, LLC to provide the following:

A. implementation and administration of the Educational Program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include rent, salaries of The Leona Group, LLC, employees working at the Academy, and other costs related to providing educational and administrative services.

For the year ended June 30, 2021, those expenses are shown in the table on the following page.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

Related Party Transactions

	Function (code range)					
	Regular Instruction (1100)	Special Instruction (1200)	Other Instruction (1900)	Support Services (2000)	Non-Instructional (3000-7000)	Total
Direct expenses:						
Object (code range)						
Salaries and wages (100)	$ 928,653	$500,240	$ 1,868	$550,252	$ 8,357	$1,989,370
Employees' benefits (200)	290,542	180,111	568	178,332	1,339	650,892
Professional/technical services (410)	0	0	0	14,802	0	14,802
Property services (420)	0	0	0	3,565	132,000	135,565
Supplies (500)	0	2,047	0	2,480	0	4,527
Other direct costs (all other)	0	0	0	15,888	0	15,888
Total expenses	$1,219,195	$682,398	$ 2,436	$765,319	$141,696	$2,811,044

15. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2021, consisted of STRS employer contributions owed to another TLG-managed academy in the amount of $1,468.

16. SUBSEQUENT EVENTS

On September 8, 2021, due to an unprecedented amount of federal funding as a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020, the Academy, by resolution of the board of directors, accepted an offer from the management company to waive a portion of management fees equal to six percent of ESSER (Elementary and Secondary School Emergency Relief) II and ESSER III revenue beginning in fiscal year 2022. The estimated savings to the academy is $144,561.

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. 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% for fiscal year 2022 and 33.33% for fiscal year 2023.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years (1)

	2021	2020	2019	2018
School Employees Retirement System (SERS)				
Academy's proportion of the net pension liability	0.00933680%	0.00873660%	0.00896650%	0.00888930%
Academy's proportionate share of the net pension liability	$ 617,556	$ 522,726	$ 513,528	$ 531,116
Academy's covered payroll	$ 317,264	$ 308,874	$ 293,163	$ 296,057
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	194.65%	169.24%	175.17%	179.40%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%
State Teachers Retirement System (STRS)				
Academy's proportion of the net pension liability	0.01250637%	0.01249965%	0.01242783%	0.01179301%
Academy's proportionate share of the net pension liability	$ 3,026,097	$ 2,764,222	$ 2,732,601	$ 2,801,455
Academy's covered payroll	$ 1,559,786	$ 1,495,829	$ 1,445,021	$ 1,315,171
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	194.01%	184.80%	189.10%	213.01%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	77.40%	77.31%	75.30%

(1) Information prior to 2014 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years [1]
(continued)

	2017	2016	2015	2014
School Employees Retirement System (SERS)				
Academy's proportion of the net pension liability	0.00899360%	0.00920790%	0.00894700%	0.00894700%
Academy's proportionate share of the net pension liability	$ 658,249	$ 525,412	$ 452,803	$ 532,049
Academy's covered payroll	$ 279,307	$ 277,200	$ 239,531	$ 214,827
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	235.67%	189.54%	189.04%	247.66%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)				
Academy's proportion of the net pension liability	0.01175879%	0.01123887%	0.00997057%	0.00997057%
Academy's proportionate share of the net pension liability	$ 3,936,021	$ 3,106,095	$ 2,425,188	$ 2,888,868
Academy's covered payroll	$ 1,230,843	$ 1,172,586	$ 999,692	$ 1,023,815
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	319.78%	264.89%	242.59%	282.17%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

[1] Information prior to 2014 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Pension Contributions
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
School Employees Retirement System (SERS)					
Contractually required pension contribution	$ 45,171	$ 44,417	$ 41,698	$ 39,577	$ 41,448
Contributions in relation to the contractually required pension contribution	(45,171)	(44,417)	(41,698)	(39,577)	(41,448)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 322,650	$ 317,264	$ 308,874	$ 293,163	$ 296,057
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%	14.00%
State Teachers Retirement System (STRS)					
Contractually required pension contribution	$ 227,363	$ 218,370	$ 209,416	$ 202,303	$ 184,124
Contributions in relation to the contractually required pension contribution	(227,363)	(218,370)	(209,416)	(202,303)	(184,124)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 1,624,021	$ 1,559,786	$ 1,495,829	$ 1,445,021	$ 1,315,171
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

Note: See accompanying Notes to the Required Supplementary Information

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Pension Contributions
Last Ten Fiscal Years
(continued)

	2016	2015	2014	2013	2012
School Employees Retirement System (SERS)					
Contractually required pension contribution	$ 39,103	$ 36,535	$ 33,199	$ 29,732	$ 24,127
Contributions in relation to the contractually required pension contribution	(39,103)	(36,535)	(33,199)	(29,732)	(24,127)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 279,307	$ 277,200	$ 239,531	$ 214,827	$ 179,383
Contributions as a percentage of covered payroll	14.00%	13.18%	13.86%	13.84%	13.45%
State Teachers Retirement System (STRS)					
Contractually required pension contribution	$ 172,318	$ 164,162	$ 129,960	$ 133,096	$ 133,507
Contributions in relation to the contractually required pension contribution	(172,318)	(164,162)	(129,960)	(133,096)	(133,507)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 1,230,843	$ 1,172,586	$ 999,692	$ 1,023,815	$ 1,026,977
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	13.00%	13.00%

Note: See accompanying Notes to the Required Supplementary Information

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Asset/Liability
Last Five Fiscal Years [(1)]

	2021	2020	2019	2018	2017
School Employees Retirement System (SERS)					
Academy's proportion of the net OPEB liability	0.00970230%	0.00902640%	0.00910990%	0.00905550%	0.00913345%
Academy's proportionate share of the net OPEB liability	$ 210,863	$ 226,995	$ 252,733	$ 243,026	$ 260,337
Academy's covered payroll	$ 317,264	$ 308,874	$ 293,163	$ 296,057	$ 279,307
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.46%	73.49%	86.21%	82.09%	93.21%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)					
Academy's proportion of the net OPEB liability/(asset)	0.01250637%	0.01249965%	0.01242783%	0.01179301%	0.01175879%
Academy's proportionate share of the net OPEB liability/(asset)	$ (219,799)	$ (207,024)	$ (199,703)	$ 460,120	$ 628,863
Academy's covered payroll	$ 1,559,786	$ 1,495,829	$ 1,445,021	$ 1,315,171	$ 1,230,843
Academy's proportionate share of the net OPEB liability/(asset) as a percentage of its covered payroll	(14.09)%	(13.84)%	(13.82)%	34.99%	51.09%
Plan fiduciary net position as a percentage of the total OPEB liability	182.10%	174.70%	176.00%	47.10%	37.30%

[(1)] Information prior to 2017 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
School Employees Retirement System (SERS)					
Contractually required OPEB contribution [(1)]	$ 6,333	$ 6,297	$ 7,396	$ 6,447	$ 5,097
Contributions in relation to the contractually required OPEB contribution	(6,333)	(6,297)	(7,396)	(6,447)	(5,097)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 322,650	$ 317,264	$ 308,874	$ 293,163	$ 296,057
Contributions as a percentage of covered payroll	1.96%	1.98%	2.39%	2.20%	1.72%
State Teachers Retirement System (STRS)					
Contractually required OPEB contribution	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions in relation to the contractually required OPEB contribution	0	0	0	0	0
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 1,624,021	$ 1,559,786	$ 1,495,829	$ 1,445,021	$ 1,315,171
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

Note: See accompanying Notes to the Required Supplementary Information

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
Last Ten Fiscal Years
(continued)

	2016	2015	2014	2013	2012
School Employees Retirement System (SERS)					
Contractually required OPEB contribution [1]	$ 4,705	$ 7,229	$ 4,954	$ 4,434	$ 3,812
Contributions in relation to the contractually required OPEB contribution	(4,705)	(7,229)	(4,954)	(4,434)	(3,812)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 279,307	$ 277,200	$ 239,531	$ 214,827	$ 179,383
Contributions as a percentage of covered payroll	1.68%	2.61%	2.07%	2.06%	2.13%
State Teachers Retirement System (STRS)					
Contractually required OPEB contribution	$ 0	$ 0	$ 9,997	$ 10,238	$ 10,270
Contributions in relation to the contractually required OPEB contribution	0	0	(9,997)	(10,238)	(10,270)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered payroll	$ 1,230,843	$ 1,172,586	$ 999,692	$ 1,023,815	$ 1,026,977
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	1.00%	1.00%

[1] Includes surcharge

Note: See accompanying Notes to the Required Supplementary Information

1. NET PENSION LIABILITY

A. Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

B. Changes in Assumptions – STRS

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

C. Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

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

D. Changes in Benefit Terms - STRS

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

2. NET OPEB LIABILITY (ASSET)

A. Changes in Assumptions - SERS

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

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

Pre-Medicare

Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

B. Changes in Assumptions – STRS

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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

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

2. NET OPEB LIABILITY (ASSET) (continued)

C. Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

D. Changes in Benefit Terms - STRS

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

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

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

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

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

Wildwood Environmental Academy
Lucas County
2125 University Park Drive
Okemos, Michigan 48864

To the Governing Board:

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 Wildwood Environmental Academy, Lucas County, (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 January 28, 2022, wherein we 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2021-001 to be a significant deficiency.

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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*.

Academy's Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Academy's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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

FINDING NUMBER 2021-001

Significant Deficiency –Preparation of the Schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards (schedule) originally provided by the Academy for the audit presented total expenditures of $790, 863, which would subject the Academy to a Single Audit under 2 CFR § 200.501(a). During the audit process, adjustments were made to the schedule, and it was determined that the total expenditures presented on the final schedule are $724, 956.

The method of preparation originally used by the Academy to prepare the schedule did not include a reconciliation of the federal expenditures for each program presented on the schedule to the expenses recorded in the Academy's accounting system. This resulted in errors that caused original reported expenditures to be presented in excess of $750,000 as set by 2 CFR § 200.501(a).

The Academy's management does not have previous experience with federal reporting requirements for its Ohio entities, which led to the failure to properly reconcile the schedule to the Academy's accounting system.

We recommend that the Academy incorporate a reconciliation of the federal expenditures for each program into its schedule preparation process. We further recommend that the Academy implement a secondary review of the reconciliation.

Officials Response: Upon discovery of the error, the Academy's management immediately implemented protocols to ensure a proper reconciliation of federal expenditures is completed. These protocols will be incorporated into management's year-end processes going forward, and the Schedule of Expenditures of Federal Awards will be reviewed for accuracy by the budget manager, staff accountant, and vice president of finance prior to submission.

OHIO AUDITOR OF STATE
KEITH FABER

WILDWOOD ENVIRONMENTAL ACADEMY

LUCAS 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

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