

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

The management's discussion and analysis of the Findlay Digital Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position was \$1,298,125 at June 30, 2022. For fiscal year 2022, net position increased \$149,838, or 13.05%, over the net position at June 30, 2021.
- The Academy had operating revenues of \$1,083,852, operating expenses of \$1,313,606 non-operating revenues of \$385,396 and non-operating expenses of \$5,804 for fiscal year 2022. Total change in net position for the fiscal year was an increase of \$149,838.

Using the Basic Financial Statements

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

Reporting the Academy's Financial Activities

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, 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.

The statement of cash flows provides information about how the Academy's finances and meets the cash flow needs of its operations.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The table below provides a summary of the Academy's net position at June 30, 2022 and June 30, 2021.

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|---------------------|---------------------|
| <u>Assets</u> | | |
| Current assets | \$ 1,536,894 | \$ 1,520,850 |
| Noncurrent assets: | | |
| Capital assets, net | <u>165,324</u> | <u>17,902</u> |
| Total assets | <u>1,702,218</u> | <u>1,538,752</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 14,184 | 43,439 |
| Non-current liabilities | <u>389,909</u> | <u>347,026</u> |
| Total liabilities | <u>404,093</u> | <u>390,465</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 6,766 | 17,902 |
| Restricted | 66,080 | 61,924 |
| Unrestricted | <u>1,225,279</u> | <u>1,068,461</u> |
| Total net position | <u>\$ 1,298,125</u> | <u>\$ 1,148,287</u> |

Current assets increased and current liabilities decreased due to fluctuations in fiscal year-end foundation settlement adjustments. Noncurrent assets increased due the implementation of GASB 87 and the associated right to use assets being recorded. As a result of the 2016 full-time equivalency settlement, the Academy owed the Ohio Department of Education \$578,376. During fiscal year 2021 and 2022 the Academy made \$115,675 in settlement payments; the outstanding amount is being reported as a non-current liability.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022, the Academy's net position totaled \$1,298,125. At year-end, capital assets represented 9.71% of total assets. Capital assets consisted of furniture and equipment and right to use assets. Capital assets are used to provide services to the students and are not available for future spending.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2022 and 2021.

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 1,071,738 | \$ 1,098,568 |
| Other | 12,114 | 22,567 |
| Total operating revenues | <u>1,083,852</u> | <u>1,121,135</u> |
| <u>Operating Expenses:</u> | | |
| Purchased services | 1,157,302 | 1,096,249 |
| Materials and supplies | 63,444 | 28,231 |
| Other | 2,764 | - |
| Depreciation | 90,096 | 19,808 |
| Total operating expenses | <u>1,313,606</u> | <u>1,144,288</u> |
| Operating income (loss) | <u>(229,754)</u> | <u>(23,153)</u> |
| <u>Non-operating revenues (expenses):</u> | | |
| Grants and subsidies | 381,789 | 192,133 |
| Interest revenue | 3,607 | 2,052 |
| Interest and fiscal charges | (5,804) | - |
| Loss on disposal of capital assets | - | (1,110) |
| Total non-operating revenues (expenses) | <u>379,592</u> | <u>193,075</u> |
| Change in net position | 149,838 | 169,922 |
| Net position at beginning of year | <u>1,148,287</u> | <u>978,365</u> |
| Net position at end of year | <u>\$ 1,298,125</u> | <u>\$ 1,148,287</u> |

The fiscal year 2022 State foundation decrease was a result of fluctuations in amounts received from the State of Ohio. Other operating revenues decreased primarily due to decreases in donations and miscellaneous revenues. Operating expenses increased primarily due to increases in professional purchased services. Interest receipts were \$3,607 and \$2,052 for fiscal year 2022 and 2021, respectively. The increase in interest revenue is due to the amount the Academy had invested in 2022 compared to 2021 and the increase of interest earned on those investments.

Capital Assets

At June 30, 2022, the Academy had \$165,324 invested in furniture and equipment and right to use assets, net of accumulated depreciation, which represents a decrease of \$87,508, or 34.61%, from the June 30, 2021 balance of \$252,832.

See Note 6 to the basic financial statements for additional information on the Academy's capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Debt Administration

The Academy had a lease payable in the amount of \$158,558 and a full-time equivalency settlement obligation in the amount of \$231,351, at June 30, 2022, of which \$193,766 is due within one year. See Note 7 for detail

Current Financial Related Activities

The Academy began in January 2005 providing a Standardized Digital Curriculum. During fiscal year 2020, the Academy purchased additional Digital Curriculum from Jefferson County ESC. The Academy is an internet-based educational delivery system designed for student's grades 9-12 who live in Findlay City School District, Ada, Arcadia, Arlington, Bluffton, Cory Rawson, Elmwood, Fostoria, Hardin Northern, Liberty Benton, McComb, North Baltimore, Riverdale, Van Buren and Vanlue. The Academy offers an on-line curriculum to any student whose needs, desires, or circumstances would best be served by a non-traditional education model. Academic Coaches are available and contracted through the Findlay City School District if the student so desires. Also provided, is a secure computer lab for the students and coaches for tutoring and testing throughout the school year.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Steve Earnest, Treasurer, at Findlay Digital Academy, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840 or email at earnest.steve@moesc.net.

**FINDLAY DIGITAL ACADEMY
 (A COMPONENT UNIT OF THE FINDLAY CITY SCHOOL DISTRICT)
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STATEMENT OF NET POSITION
 JUNE 30, 2022

| | |
|---|---------------------|
| Assets: | |
| Current assets: | |
| Equity in pooled cash | |
| Cash and cash equivalents | \$ 1,239,640 |
| Receivables: | |
| Accounts | 5,250 |
| Intergovernmental. | <u>292,004</u> |
| Total current assets | <u>1,536,894</u> |
| Non-current assets: | |
| Depreciable capital assets, net | <u>165,324</u> |
| Total non-current assets. | <u>165,324</u> |
| Total assets. | <u>1,702,218</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable. | 7,869 |
| Intergovernmental payable | 5,919 |
| Accrued interest payable | <u>396</u> |
| Total current liabilities | <u>14,184</u> |
| Non-current liabilities: | |
| Long-term liabilities: | |
| Due within one year. | 193,766 |
| Due in more than one year | <u>196,143</u> |
| Total non-current liabilities | <u>389,909</u> |
| Total liabilities | <u>404,093</u> |
| Net position: | |
| Net investment in capital assets. | 6,766 |
| Restricted for locally funded programs. | 924 |
| Restricted for state funded programs. | 60,850 |
| Restricted for federal programs. | 4,306 |
| Unrestricted. | <u>1,225,279</u> |
| Total net position. | <u>\$ 1,298,125</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINDLAY DIGITAL ACADEMY
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STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | | |
|---|----|-----------------------------|
| Operating revenues: | | |
| Foundation revenue | \$ | 1,071,738 |
| Other | | 12,114 |
| Total operating revenues | | <u>1,083,852</u> |
| Operating expenses: | | |
| Purchased services. | | 1,157,302 |
| Materials and supplies | | 63,444 |
| Other. | | 2,764 |
| Depreciation/amortization | | 90,096 |
| Total operating expenses. | | <u>1,313,606</u> |
| Operating loss | | <u>(229,754)</u> |
| Non-operating revenues (expenses): | | |
| Grants and subsidies. | | 381,789 |
| Interest revenue | | 3,607 |
| Interest and fiscal charges | | <u>(5,804)</u> |
| Total non-operating revenues (expenses) | | <u>379,592</u> |
| Change in net position | | 149,838 |
| Net position at beginning of year. | | <u>1,148,287</u> |
| Net position at end of year | \$ | <u><u>1,298,125</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINDLAY DIGITAL ACADEMY
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**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from state foundation | \$ 1,014,565 |
| Cash received from other operations | 6,864 |
| Cash payments for contractual services | (1,150,492) |
| Cash payments for materials and supplies | (63,471) |
| Cash payments for other expenses | (2,764) |
| | <hr/> |
| Net cash used in operating activities | (195,298) |
| Cash flows from noncapital financing activities: | |
| Cash received from grants and subsidies | 168,803 |
| Cash used in repayment of foundation settlement | (115,675) |
| | <hr/> |
| Net cash provided by noncapital financing activities | 53,128 |
| Cash flows from capital and related financing activities: | |
| Interest and fiscal charges | (5,804) |
| Principal retirement on lease | (76,372) |
| Acquisition of capital assets | (2,588) |
| | <hr/> |
| Net cash used in capital and related financing activities | (84,764) |
| Cash flows from investing activities: | |
| Interest received | 3,607 |
| | <hr/> |
| Net cash provided by investing activities | 3,607 |
| Net decrease in cash and cash cash equivalents | (223,327) |
| Cash and cash equivalents at beginning of year | 1,462,967 |
| Cash and cash equivalents at end of year | \$ 1,239,640 |
| | <hr/> <hr/> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (229,754) |
| Adjustments: | |
| Depreciation/amortization | 90,096 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | (5,250) |
| Increase in intergovernmental receivable | (21,135) |
| Increase in accounts payable | 3,913 |
| Increase in intergovernmental payable | (33,564) |
| Increase in accrued interest payable | 396 |
| | <hr/> |
| Net cash used in operating activities | \$ (195,298) |
| | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FINDLAY DIGITAL ACADEMY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Findlay Digital Academy (the Academy) is a Conversion Community School established pursuant to Ohio Revised Code Chapter 3314, and sponsored by the Findlay City School District (FCSD) to serve ninth through twelfth grade students living in the Findlay City School District. The Academy's mission is to enhance and facilitate student learning by combining state-of-the-art digital curriculum with access to local school resources to complement that instruction and prepare students to become lifelong learners and productive citizens.

The Findlay Digital Academy is considered a component unit of the Findlay City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The Academy is included as a component unit of the FCSD because the FCSD appoints the Academy's Board of Directors. Therefore, the FCSD is able to significantly influence the programs or services performed or provided by the organization. In addition, through contractual arrangements, the FCSD is able to access a significant portion of the Academy's resources.

The Academy is an innovative program operated as a cooperative effort between the Digital Academy Board of Directors and the Findlay City School District. The Academy was approved for operation under an initial contract with the Findlay City School District (the Sponsor) commencing on April 1, 2004 and expiring on June 30, 2008. Three additional contracts have been signed. The most recent contract was signed in May 2018 and expires June 30, 2023. The Academy enrolled its first students in January 2005. 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.

The Academy is governed by a seven-member Board of Directors. The majority of the Board is composed of public officials or public sector employees who have a professional interest in furthering the establishment of the Academy. The Board may also include one or more parents of enrolled students and community civic leaders. The FCSD Treasurer serves as a Sponsor Representative.

The Academy uses distance-learning technology to deliver instruction via computers to students, either in their homes or a group-learning environment such as a computer classroom at school. Although the Academy cannot exercise control over the home environments in which instruction will be received, it attempts to take reasonable steps to ensure compliance with health and safety standards deemed available to its students and within the Academy's control.

The Academy has entered into a purchased services agreement contract with the TRECA Digital Academy for technology and services. See Note 12 for detail on the Academy's purchased services agreement contract with TRECA Digital Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position; a statement of revenue, expenses, and changes 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of changes 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.

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 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

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

E. Cash and Investments

To improve cash management, cash received by the Academy is pooled and reported as "cash and cash equivalents" or "investments". Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Academy's records.

During fiscal year 2022, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost. STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Academy measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

An analysis of the Academy's deposits and investments at fiscal year-end is provided in Note 4.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

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 value. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years.

The Academy is reporting intangible right to use assets related to leased buildings. The intangible assets are being amortized in a systematic and rational matter of the shorter of the lease term or the useful life of the underlying asset.

H. Net Position

Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. The Academy had no outstanding balances of borrowings used for the acquisition, construction or improvement of its capital assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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 from the State. Operating expenses are necessary costs which are incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Broadband Connectivity grants, Corona Relief funds, IDEA Part B grants, Title I grants, Title IV grants and Title II-A grants. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for fiscal year 2022 school year, excluding all other State and Federal grants, totaled \$1,071,738.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State and Federal grants revenue for fiscal year 2022 was \$381,789.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Estimates

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

L. Fair Value

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2022, the Academy has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the Academy's fiscal year 2022 financial statements. The Academy recognized \$234,930 in leases payable at July 1, 2021; due to the implementation of GASB 87; however, this entire amount was offset by the intangible asset, right to use lease - buildings.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Academy.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Academy.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Academy.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Academy’s investment policy allows the Treasurer to invest in instruments authorized by Ohio Revised Code Chapter 135. The Academy had the following deposits and investments at year-end:

Deposits: At June 30, 2022, the carrying amount of Academy deposits was \$(56,342) and the bank balance of Academy deposits was \$104,968. The Academy’s entire bank balance of \$104,968 was covered by the FDIC. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

Investments: At June 30, 2022, the Academy had the following investment and maturities:

| Measurement/ Investment type | Measurement Value | Investment <u>Maturities</u> 6 months or less |
|---------------------------------|----------------------|--|
| Amortized Cost: STAR Ohio | \$ 1,295,982 | \$ 1,295,982 |

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Academy manages its exposure to declines in fair value of an investment.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Academy’s investment policy does not specifically address credit risk beyond requiring the Academy to only invest in securities authorized by State statute.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk - The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2022:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| Amortized Cost: | | |
| STAR Ohio | <u>\$ 1,295,982</u> | <u>100.00</u> |

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2022:

| | |
|--|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ (56,342) |
| Investments | <u>1,295,982</u> |
| Total | <u>\$ 1,239,640</u> |
| <u>Cash and investments per financial statements</u> | |
| Cash and cash equivalents | <u>\$ 1,239,640</u> |

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022 consisted of intergovernmental receivables in the amount of \$292,004 and accounts receivable in the amount of \$5,250. These receivables are expected to be collected in the subsequent year.

NOTE 6 - CAPITAL ASSETS

Due to the implementation of GASB 87 (See Note 3A), The Academy has reported capital assets for the right to use leased buildings which are reflected in the schedule below. Capital asset activity for the fiscal year ended June 30, 2022 follows:

| | Restated Balance <u>06/30/21</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>06/30/22</u> |
|--|--|--------------------|-------------------|----------------------------|
| <i>Capital assets, being depreciated/amortization:</i> | | | | |
| Furniture and equipment | \$ 173,280 | \$ 2,588 | \$ - | \$ 175,868 |
| Intangible right to use: lease building | 234,930 | - | - | 234,930 |
| Less: accumulated depreciation/amortization | <u>(155,378)</u> | <u>(90,096)</u> | <u>-</u> | <u>(245,474)</u> |
| Capital assets, net | <u>\$ 252,832</u> | <u>\$ (87,508)</u> | <u>\$ -</u> | <u>\$ 165,324</u> |

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB 87 (see Note 3), the Academy has reported obligations for leases payable which are reflected in the schedule below. The following is a summary of the Academy's long-term obligations activity in fiscal year 2022.

| | Balance at <u>06/30/21</u> | <u>Additions</u> | <u>Reductions</u> | Balance at <u>06/30/22</u> | Due Within <u>One Year</u> |
|-----------------------------|-------------------------------|------------------|---------------------|-------------------------------|-------------------------------|
| Intergovernmental payable | \$ 347,026 | \$ - | \$ (115,675) | \$ 231,351 | \$ 115,675 |
| Lease payable | <u>234,930</u> | <u>-</u> | <u>(76,372)</u> | <u>158,558</u> | <u>78,091</u> |
| Total long-term obligations | <u>\$ 581,956</u> | <u>\$ -</u> | <u>\$ (192,047)</u> | <u>\$ 389,909</u> | <u>\$ 193,766</u> |

A. Intergovernmental Payable

Long-term obligations at June 30, 2022 consist of \$231,351 owed to the Ohio Department of Education as a result of the full-time equivalent (FTE) enrollment review for fiscal year 2016. This amount will be repaid over a five-year period by reducing the Academy's Foundation revenue monthly. The reductions began with the July 1, 2019 foundation payment. See Note 11.B for more detail on the FTE review.

The following is a schedule of future payments:

| Fiscal <u>Year</u> | <u>Intergovernmental Payable</u> | | |
|-----------------------|----------------------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 115,675 | \$ - | \$ 115,675 |
| 2024 | <u>115,676</u> | <u>-</u> | <u>115,676</u> |
| Total | <u>\$ 231,351</u> | <u>\$ -</u> | <u>\$ 231,351</u> |

B. Lease Payable

In a prior fiscal year, the Academy entered into a lease agreement for the right to use a building for space. In accordance with GASB Statement No. 87, the Academy has reported an intangible capital asset and corresponding liability for the future scheduled payments under the lease agreements.

The Academy entered into a lease agreement on April 7, 2021, with TLB Corporate Center, LLC to lease space for the Academy. The term of the lease commenced April 7, 2021 and continues through June 30, 2024. The Academy shall pay to Deborah Connors \$6,815 in month base rent on the first day of each month.

The following is a schedule of future lease payments under the lease agreements:

| Fiscal <u>Year</u> | <u>Lease Payable</u> | | |
|-----------------------|----------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 78,091 | \$ 3,689 | \$ 81,780 |
| 2024 | <u>80,467</u> | <u>1,313</u> | <u>81,780</u> |
| Total | <u>\$ 158,558</u> | <u>\$ 5,002</u> | <u>\$ 163,560</u> |

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy is covered under the liability and property policies of the Findlay City School District.

Insurance coverage for the Academy follows:

| | |
|---------------------------|----------------|
| Property: | \$ 216,189,961 |
| General Liability: | |
| Per Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |
| Educators Legal Liability | 3,000,000 |

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage from the previous year.

NOTE 9 - PURCHASED SERVICE EXPENSES

For fiscal year ended June 30, 2022, purchased services expenses were as follows:

| | |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 1,126,925 |
| Property services | 279 |
| Travel mileage/meeting expenses | 12,016 |
| Communications | 3,472 |
| Tuition and similar payments | 14,525 |
| Other purchased services | <u>85</u> |
| Total | <u>\$ 1,157,302</u> |

NOTE 10 - PAYMENTS TO SPONSOR / RELATED PARTY TRANSACTION

The Academy has entered into a Sponsorship Contract with the Findlay City School District, its Sponsor, as described in Note 1. The Sponsorship Contract states that the Findlay City School District may direct its Treasurer to serve as the Academy's fiscal officer. However, for fiscal year 2022, the Academy contracted with Steve Earnest to be the Treasurer. The Treasurer of the Academy performs the following functions for the Academy:

- A. Assumes responsibility for receipt, safekeeping and disbursement of all Academy funds;
- B. Directs and manages all financial accounting programs and systems; and
- C. Completes and files all forms, reports, papers and other requirements as prescribed by the Auditor of State, Department of Education, or other state or local agencies.

The Academy contracts through the Hancock County Educational Service Center the services of the Executive Director, Principal, Administrative Assistant, 22+ Coordinator, EMIS Coordinator and technology support.

The Academy contracts with the Sponsor for almost all of its services, except those mentioned above.

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 10 - PAYMENTS TO SPONSOR / RELATED PARTY TRANSACTION - (Continued)

During the year ended June 30, 2022, the Academy incurred \$567,637 in expenses payable to its Sponsor, the Findlay City School District, for:

| | |
|-----------------------|-------------------|
| Salaries and benefits | <u>\$ 567,637</u> |
|-----------------------|-------------------|

NOTE 11 - CONTINGENCIES

C. Grants

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

B. State Funding

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 for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review for FY 2022.

C. Litigation

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**FINDLAY DIGITAL ACADEMY
(A COMPONENT UNIT OF FINDLAY CITY SCHOOL DISTRICT)
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 12 - CONTRACT WITH TRECA DIGITAL ACADEMY

The Academy entered into a contract on June 4, 2020, for fiscal year 2022, with TRECA Digital Academy (TDA). Under the contract, the following terms were agreed upon:

- TDA shall provide, via online delivery, its standardized digital curriculum, as described at the website of the TRECA Digital Academy.
- TDA shall cooperate with the Academy in conducting assessments and in developing a draft evaluation team report as part of any required initial evaluation of a Suspected Disabled Student or reevaluation of a Suspected Disabled Student.
- TDA shall conduct the IEP or related meetings and shall ensure the participation of the teacher(s) of the Disabled Student, in person or by telephone, to said IEP or related meetings.
- TDA shall communicate with the Academy regarding educational or related service that are mandated by a Disabled Student's IEP but which TDA has reasons to believe are not being provided.
- TDA shall provide such other services, including but not limited to the standard hardware and software package, and the standard technical and administrative services, as are provided generally by TDA to students.
- TDA shall promptly notify the Academy if, at any time, TDA has reason to believe it (or any contractor) is not fulfilling its obligations hereunder to Disabled or Suspected Disabled Students.
- All personnel providing services on behalf of TDA shall possess any certification, licensure training and experience that may be required by lay.

For fiscal year 2022, \$6,306 was paid to TDA. To obtain TDA's audited June 30, 2022 financial statements please contact Jessica Wake, Treasurer, at 107 N. Main St. Suite 100, Marion, Ohio 43302.

NOTE 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the Academy received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

Findlay Digital Academy
Hancock County
1219 West Main Cross Street, Suite 101
Findlay, Ohio 45840-3377

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Findlay Digital Academy, Hancock County, Ohio (the Academy), a component unit of Findlay City School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 22, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Academy.

Report on Internal Control Over Financial Reporting

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

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

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

Efficient • Effective • Transparent

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 22, 2023

OHIO AUDITOR OF STATE KEITH FABER



FINDLAY DIGITAL ACADEMY

HANCOCK 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 3/9/2023

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

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