QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY
JUNE 30, 2016

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Dave Yost · Auditor of State

INDEPENDENT AUDITOR'S REPORT

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, Tuscarawas County, Ohio, as of and for the year ended June 30, 2016, 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, as of June 30, 2016, 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 on Note 3 to the financial statements, the June 30, 2015 net position was restated to correct the capital asset balance. Also, as discussed in Note 14 to the financial statements, the Academy's foundation funding is based on annualized full-time equivalent (FTE) enrollment of each student. During an FTE review, the Ohio Department of Education (ODE) found the Academy had an FTE of zero. At the opinion date, the Academy had not yet completed the appeal process; therefore, a contingency has been disclosed. We did not modify our opinion regarding these matters.

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 Liabilities and Pension 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 March 7, 2017, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2017

The discussion and analysis of the Quaker Digital Academy's (Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the 2016 fiscal year are as follows:

- Net position totaled $1,332,544, an increase of $708,117 over fiscal year 2015.
- Total assets increased by $711,193 from fiscal year 2015 for total assets of $5,143,755 in fiscal year 2016, due mainly to the increase in cash from fiscal year 2015.
- The increase in revenues, primarily an increase in non-operating grants revenue, outpaced the small increase in expenses, yielding an increase in net position for fiscal year 2016.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position and statement of revenues, expenses and changes in net position answer the question, "How did the Academy do financially during fiscal year 2016?" The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid

The notes provide additional information that is essential to the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-31 of this report.

Table 1 provides a comparison of the Academy's net position for fiscal year 2016 compared to 2015 as follows:

Table 1
Net Position

	2016	Restated 2015	Change
Assets			
Current and Other Assets	$4,559,004	$3,809,308	$749,696
Capital Assets, Net	584,751	623,254	(38,503)
Total Assets	5,143,755	4,432,562	711,193
Deferred Outflows of Resources			
Pension	500,212	245,310	254,902
Liabilities			
Current and Other Liabilities	183,625	159,802	(23,823)
Long-Term Liabilities:			
Compensated Absences Payable	3,698	0	(3,698)
Net Pension Liability	3,875,675	3,298,509	(577,166)
Total Liabilities	4,062,998	3,458,311	(604,687)
Deferred Inflows of Resources			
Pension	248,425	595,134	346,709
Net Position			
Net Investment in Capital Assets	584,751	623,254	(38,503)
Restricted	21,619	968	20,651
Unrestricted	726,174	205	725,969
Total Net Position	$1,332,544	$624,427	$708,117

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Total assets increased by $711,193 from fiscal year 2015 for total assets of $5,143,755 in fiscal year 2016, due mainly to the increase in cash from fiscal year 2015. The increase in cash was primarily due to an increase in grants revenue and a decrease in purchased services expense from fiscal year 2015.

For fiscal year 2016, total current liabilities of $183,625 consisted of accounts payable, accrued wages, intergovernmental payable, and vacation benefits payable. Total current liabilities were fairly comparable to fiscal year 2015, with small increases in accrued wages and intergovernmental payable.

The net impact was an increase in net position of $708,117 for fiscal year 2016.

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015.

Table 2
Change in Net Position

	2016	Restated 2015	Change
Revenues			
Operating Revenues	$4,341,975	$4,422,368	($80,393)
Non-Operating Revenues	389,157	254,525	134,632
Total Revenues	4,731,132	4,676,893	54,239
Expenses			
Operating Expenses	3,992,898	3,992,359	(539)
Non-Operating Expenses	30,117	0	(30,117)
Total Expenses	4,023,015	3,992,359	(30,656)
Change in Net Position	708,117	684,534	23,583
Net Position Beginning of Year	624,427	(60,107)	684,534
Net Position End of Year	$1,332,544	$624,427	$708,117

The Academy's activities consist of enterprise activity. Community schools receive no support from taxes. The State Foundation Program and the Federal Title Grant Programs are, by far, the primary support for the Academy's students.

The increase in revenues, primarily an increase in non-operating grants revenue, outpaced the small increase in expenses, yielding an increase in net position for fiscal year 2016.

For the Future

The Academy has taken on increasingly more of the administrative and fiscal services through the New Philadelphia City School District (the Sponsor). Costs are more effectively monitored. Management still must diligently plan expenses, staying carefully within the Academy's five-year plan.

The Academy has entered into a service contract for fiscal year 2017 with its Sponsor. In agreement with the past contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the governance of the Academy, hourly staff to provide support services to the Academy, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed $425,000 for fiscal year 2017.

In addition, the Academy expects student enrollment for fiscal year 2017 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2017 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program increasing substantially.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors 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 Julie Erwin, Treasurer, at Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at erwinj@npschools.org.

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Quaker Digital Academy

Statement of Net Position

June 30, 2016

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$4,463,700
Intergovernmental Receivable	80,179
Prepaid Items	15,125
Total Current Assets	4,559,004
Non-Current Assets:	
Depreciable Capital Assets, Net	584,751
Total Assets	5,143,755
Deferred Outflows of Resources	
Pension	500,212
Liabilities	
Current Liabilities:	
Accounts Payable	27,623
Accrued Wages	50,163
Intergovernmental Payable	54,501
Vacation Benefits Payable	51,338
Total Current Liabilities	183,625
Long-Term Liabilities:	
Compensated Absences Payable	3,698
Net Pension Liability (See Note 10)	3,875,675
Total Long-Term Liabilities	3,879,373
Total Liabilities	4,062,998
Deferred Inflows of Resources	
Pension	248,425
Net Position	
Net Investment in Capital Assets	584,751
Restricted for Other Purposes	21,619
Unrestricted	726,174
Total Net Position	$1,332,544

See accompanying notes to the basic financial statements

Quaker Digital Academy

Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues	
Foundation Payments	$4,251,678
Miscellaneous	90,297
Total Operating Revenues	4,341,975
Operating Expenses	
Salaries and Benefits	2,196,210
Purchased Services	1,576,161
Supplies and Materials	110,919
Other	11,589
Depreciation	98,019
Total Operating Expenses	3,992,898
Operating Income	349,077
Non-Operating Revenues and Expenses	
Grants	374,377
Investment Income	5,280
Contributions and Donations	9,500
Loss on the Disposal of Capital Assets	(30,117)
Total Non-Operating Revenues and Expenses	359,040
Change in Net Position	708,117
Net Position Beginning of Year - Restated (See Note 3)	624,427
Net Position End of Year	$1,332,544

See accompanying notes to the basic financial statements

Quaker Digital Academy

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$4,275,105
Other Cash Receipts	87,812
Cash Payments to Employees for Services	(2,206,435)
Cash Payments for Goods and Services	(1,712,331)
Other Cash Payments	(11,589)
Net Cash Provided by Operating Activities	432,562
Cash Flows from Noncapital Financing Activities	
Grants Received	363,353
Contributions and Donations Received	9,500
Net Cash Provided by Noncapital Financing Activities	372,853
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(89,633)
Cash Flows from Investing Activities	
Interest on Investments	5,280
Net Increase in Cash and Cash Equivalents	721,062
Cash and Cash Equivalents Beginning of Year	3,742,638
Cash and Cash Equivalents End of Year	$4,463,700
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income	$349,077
Adjustments:	
Depreciation	98,019
(Increase) Decrease in Assets:	
Intergovernmental Receivable	(2,485)
Prepaid Items	(15,125)
(Increase) Decrease in Deferred Outflows of Resources - Pension	(254,902)
Increase (Decrease) in Liabilities:	
Accounts Payable	(11,770)
Accrued Wages and Benefits	(32,494)
Intergovernmental Payable	16,749
Vacation Benefits Payable	51,338
Compensated Absences Payable	3,698
Net Pension Liability	577,166
Increase (Decrease) in Deferred Inflows of Resources - Pension	(346,709)
Net Cash Provided by Operating Activities	$432,562

See accompanying notes to the basic financial statements

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Note 1 – Description of the Academy and Reporting Entity

The Quaker Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the New Philadelphia City School District (the Sponsor) for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 38 and GASB Statement No. 61.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program.

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2003. The Academy began operations on January 15, 2004. The Sponsor renewed the contract for an additional five years on May 18, 2008, and again on December 17, 2012. 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 operates under the direction of a five-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out 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.

A service contract for fiscal period of July 1, 2015, to June 30, 2018, between the Academy and the Sponsor was approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor $425,000 during fiscal year 2016 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy's other personnel services, which provided services to over 700 students, were paid through the Academy's payroll during fiscal year 2016.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

Measurement Focus

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions 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.

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

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions 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 prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the basic financial statements.

Operating Revenues and Expenses

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

Intergovernmental Revenues

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

Cash and Investments

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

During fiscal year 2016, investments were limited to a repurchase agreement.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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 expenditure/expense is reported in the year in which services are consumed.

Capital Assets

Capital assets are reported in the statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	40 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

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 related to pension are reported on the statement of net position (See Note 10).

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

Compensated Absences

The Academy reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy.

Pensions

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists 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. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes special education and educational improvements.

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

Estimates

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

Note 3 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

For fiscal year 2016, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Academy's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Net Position

During fiscal year 2016, it was determined that capital assets had been understated by $599,765 at June 30, 2015. The correction to capital assets had the following effect on net position as reported June 30, 2015:

Net Position June 30, 2015	$24,662
Capital Assets Adjustment	599,765
Restated Net Position June 30, 2015	$624,427

Note 4 – Deposits and Investments

Deposits

At fiscal year end, the carrying amount of the Academy's deposits was ($13,666) and the bank balance was $3,865. The deficit carrying balance is covered by the Academy's investment in a repurchase agreement. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 a 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.

Investments

As of June 30, 2016, the Academy had the following investment:

Investment	Measurement Amount	Maturity
Repurchase Agreement	$4,477,366	Daily

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Academy's investment policy addresses interest rate risk by requiring the Academy's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

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 repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The Academy has no investment policy dealing with the 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.

Credit Risk The Academy has no investment policy dealing with investment credit risk beyond the requirement of State statute.

Concentration of Credit Risk The Academy places no limit on the amount it may invest in any one issuer.

Note 5 – Receivables

Receivables at June 30, 2016, consisted of intergovernmental grants and a refund. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Description	Amounts
Title I-A Improving Basic Programs Grant	$39,414
IDEA-B Special Education Grant	22,684
Improving Teacher Quality Grant	15,596
SERS Refund	2,485
Total	$80,179

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Restated Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Capital Assets being depreciated:				
Furniture and Equipment	$895,438	$65,311	($77,730)	$883,019
Vehicles	66,760	24,322	(17,961)	73,121
Total Capital Assets being depreciated	962,198	89,633	(95,691)	956,140
Accumulated Depreciation:				
Furniture and Equipment	(301,300)	(90,566)	50,157	(341,709)
Vehicles	(37,644)	(7,453)	15,417	(29,680)
Total Accumulated Depreciation	(338,944)	(98,019)	65,574	(371,389)
Total Capital Assets, net	$623,254	($8,386)	($30,117)	$584,751

Note 7 – Risk Management

Property and Liability Insurance

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 2016, the Academy purchased its own insurance for property, liability, and inland marine coverage.

Type of Coverage	Deductible	Coverage
Building and Contents (Replacement Cost)	$1,000	$156,000
Electronic Data Processing	1,000	533,000
Automobile Liability	250 - 500	1,000,000
Uninsured Motorists	0	1,000,000
General Liability		
Per Occurrence	N/A	1,000,000
Annual Limit	N/A	3,000,000

Settled claims have not exceeded this coverage in any of the past three years. There was no significant reduction in insurance coverage from the prior year.

Employee Medical Benefits

The New Philadelphia City School District (the School District), the sponsor for the Academy, is a member of the Portage Area School Consortium (the Consortium). The Consortium is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone pools: the Portage Area School Consortium Property and Casualty Pool and the Portage Area Consortium Health and Welfare Insurance pool. These pools were established by the consortium on August

5, 1988, to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

Beginning July 1, 2009, the School District is a member of the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool, through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

As of June 30, 2016, the Academy was contracted with the School District to provide health insurance benefits to its employees. The Academy paid $187,985 for health insurance benefits to the School District.

Note 8 – Agreements with the Curriculum Service Providers

The Academy entered into agreements with the BYU, Rosetta Stone, Calvert, Apex Learning, Plato/Edmentum, Odysseyware and NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2015-2016 school year.

All personnel providing services to the Academy from these service providers are considered employees of the service provider.

Payments are made to the provider based on the number of students enrolled in their programs. For the 2015-2016 school year the Academy paid $335,084 to Calvert, $11,497 to BYU, $1,517 to Apex Learning, $67,177 to Lincoln Learning/NNDS Management Foundation, $90,844 to Edmentum, and $141,425 to Odysseyware.

Note 9 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2016 with its Sponsor for the following services: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel and staff to provide services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was $425,000.

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each

financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.
The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Academy's contractually required contribution to SERS was $58,976 for fiscal year 2016. Of this amount $146 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The Academy's 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. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $180,274 for fiscal year 2016. Of this amount $6,877 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.01314600%	0.01082575%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.01369530%	0.01119586%	
Change in Proportionate Share	0.00054930%	0.00037011%	
Proportionate Share of the Net Pension Liability	$781,467	$3,094,208	$3,875,675
Pension Expense	$57,280	$157,525	$214,805

At June 30, 2016, 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			
Differences between expected and actual experience	$12,583	$141,057	$153,640
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	24,249	83,073	107,322
Academy contributions subsequent to the measurement date	58,976	180,274	239,250
Total Deferred Outflows of Resources	$95,808	$404,404	$500,212
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$25,893	$222,532	$248,425

$239,250 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	($1,656)	($29,450)	($31,106)
2018	(1,656)	(29,450)	(31,106)
2019	(1,716)	(29,450)	(31,166)
2020	15,967	89,948	105,915
Total	$10,939	$1,598	$12,537

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent, net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,083,614	$781,467	$527,034

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Academy's net pension liability is expected to be significant.

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set back two years through age 89 and are not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$4,298,089	$3,094,208	$2,076,148

Note 11 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description – The Academy contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the Academy's surcharge obligation was $6,364.

The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $6,364, $9,167, and $598, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit 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 reimbursement of monthly Medicare Part B premiums. 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. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $11,025, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Note 12 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from the Sponsor negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Administrators, full time permanent certified employees and full time permanent classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified staff and classified staff. Upon retirement, payment is made for one-fourth of the accrued, unused sick leave credit, up to a maximum of 65 days for certified employees and classified employees.

Note 13 – Long-Term Obligations

The changes in the Academy's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 06/30/15	Additions	Reductions	Amount Outstanding 06/30/16	Amount Due in One Year
Net Pension Liability:					
SERS	$665,312	$116,155	$0	$781,467	$0
STRS	2,633,197	461,011	0	3,094,208	0
Total Net Pension Liability	3,298,509	577,166	0	3,875,675	0
Compensated Absences	0	3,698	0	3,698	0
Total Long-Term Liabilities	$3,298,509	$580,864	$0	$3,879,373	$0

Note 14 – Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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 general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

Academy Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Academy, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the Academy.

Final Full-Time Equivalency (FTE) Determination

On June 20, 2016, the Ohio Department of Education (ODE) completed a review of log-in and log-out records and non-classroom documentation, pursuant to Ohio Revised Code Section 3314.08(H). ODE determined that the Academy's FTE for the 2015-2016 school year was 0, which was 100 percent less than the 666.31 FTE reported. The final determination was based on the failure of the Academy to provide any records to ODE that documented duration time for internet-based and/or computer-based learning opportunities as well as non-classroom, non-computer-based learning opportunities. The Academy has appealed the determination to the State Board of Education. A hearing date has not yet been set. No adjustment to the FTE number (and funding) will be made until the Academy exhausts its appeal rights.

Litigation

As documented within the Final Full-Time Equivalency (FTE) Determination note above, the Academy is currently appealing the ODE finding of the FTE for the 2015-2016 school year of 0. A hearing date has not yet been set.

Note 15 – Operating Leases

The Academy is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Academy's basic financial statements. Total costs for such leases were $103,508 for fiscal year 2016. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2016:

Fiscal Year	Amount
2017	$103,508
2018	91,408
2019	68,954
2020	62,000
2021	62,000
2022-2025	211,833
Total Minimum Payments Required	$599,703

Note 16 – Jointly Governed Organization

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the Academy's continued participation and no equity interest exists. OME-RESA has no outstanding debt. During fiscal year 2016, the Academy paid $44,056 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

Note 17 – Purchased Services

For the fiscal year ended June 30, 2016, purchased services expenses were as follows:

Instruction	$779,392
Professional and Technical Services	639,476
Lease	105,047
Utilities	52,246
Total	$1,576,161

Quaker Digital Academy

Required Supplementary Information

Schedule of the Academy's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

*Last Three Fiscal Years (1) **

	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01369530%	0.01314600%	0.01314600%
Academy's Proportionate Share of the Net Pension Liability	$781,467	$665,312	$781,750
Academy's Covered Payroll	$412,620	$381,999	$259,624
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.39%	174.17%	301.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the Academy's measurement date, which is the prior fiscal year end.

Quaker Digital Academy

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Three Fiscal Years (1) **

	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01119586%	0.01082575%	0.01082575%
Academy's Proportionate Share of the Net Pension Liability	$3,094,208	$2,633,197	$3,136,647
Academy's Covered Payroll	$1,142,243	$1,120,938	$1,161,769
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	270.89%	234.91%	269.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the Academy's measurement date, which is the prior fiscal year end.

Quaker Digital Academy

Required Supplementary Information
Schedule of the Academy's Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

	2016	2015	2014
Contractually Required Contribution	$58,976	$54,383	$52,945
Contributions in Relation to the Contractually Required Contribution	(58,976)	(54,383)	(52,945)
Contribution Deficiency (Excess)	$0	$0	$0
Academy Covered Payroll	$421,257	$412,620	$381,999
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%

(1) Information prior to 2010 is not available.

2013	2012	2011	2010
$35,932	$27,612	$26,570	$16,763
(35,932)	(27,612)	(26,570)	(16,763)
$0	$0	$0	$0
$259,624	$205,294	$211,376	$123,804
13.84%	13.45%	12.57%	13.54%

Quaker Digital Academy

Required Supplementary Information
Schedule of the Academy's Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2016	2015	2014
Contractually Required Contribution	$180,274	$159,914	$145,722
Contributions in Relation to the Contractually Required Contribution	(180,274)	(159,914)	(145,722)
Contribution Deficiency (Excess)	$0	$0	$0
Academy Covered Payroll	$1,287,671	$1,142,243	$1,120,938
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%

(1) Information prior to 2010 is not available.

2013	2012	2011	2010
$151,030	$100,134	$80,060	$59,520
(151,030)	(100,134)	(80,060)	(59,520)
$0	$0	$0	$0
$1,161,769	$770,262	$615,846	$457,846
13.00%	13.00%	13.00%	13.00%

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

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, Tuscarawas County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 7, 2017, wherein we noted the June 30, 2015 net position was restated to correct the capital asset balance. We also noted the Academy is in the process of appealing the Ohio Department of Education's FTE review of zero for 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-004.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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 communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2017

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 3314.02(A)(7) defines an Internet-or computer-based community school as a community school established under this chapter in which the enrolled students work primarily from their residences on assignments in non-classroom-based learning opportunities provided via an Internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include Internet-based, other computer-based and non-computer-based learning opportunities.

Ohio Rev. Code § 3314.08(H)(2), in part, states learning opportunities shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school. According to the Community School Sponsorship contract for the Quaker Digital Academy dated December 17, 2012, Article IV, Section K (2), learning opportunities are defined as including the Academy's internet-based and book based curriculum, student-Academy interactions and independently-completed school assignments.

Ohio Department of Education FTE Review and Community School Enrollment Handbook, Revised January 2015, Section Non-Classroom/Non-Computer Learning Activities states that there must be a written plan, specific to each student and each course, which details the subject matter to be mastered and tasks to be completed by the student to obtain a specified number of credits toward graduation. That plan must be signed by a representative of the school and the student's parent/guardian or the student if the student is 18 years old or older. The actual number of hours the student spends working towards completing his or her plan must be tracked and recorded in a written or electronic student participation log that indicates the dates and times the work was done.

The Academy, which qualifies as an internet-or computer-based community school, provides computer and non-computer learning opportunities to the students. In order to better meet the needs of each student, the Academy utilizes several Education Learning Management System (ELMS) and/or modules to provide the students with educational instruction. In addition, the Academy uses Calvert curriculum, a non-computer book based learning opportunity, to students in grades K-6. However, not all of ELMSs or modules were able to track the number of hours each student spends working toward completing his or her work while on the computer. In addition, the Academy did not have a procedure in place to capture any non-computer learning opportunities, such as time the students spent utilizing the Calvert curriculum.

The Ohio Department of Education (ODE) performed a full time equivalent (FTE) review on the Academy for year-ended 2016. The results to ODE's FTE review showed zero FTEs were supported by documentation of computer and non-computer learning opportunities. The Academy was advised by their legal counsel not to provide ODE with any documentation at the time of the initial review. The Academy has since appealed ODE's findings and has provided the auditors with some support to document the Academy's FTE. During our testing of the support, we were still not able to demonstrate the Academy's documented computer and non-computer time supported the amount of FTE reported in EMIS by the Academy.

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

FINDING NUMBER 2016-001

Noncompliance (Continued)

Additionally, the Academy has not adopted a policy regarding student participation for both classroom and non-classroom time and the method of tracking hours spent in each type of learning opportunity.

The Academy should implement procedures to ensure that student participation is properly tracked for both classroom and non-classroom based learning opportunities. The Academy should also adopt a policy outlining the method of tracking hours spent with each type of learning opportunity. This will ensure that the Academy has the proper documentation to support the full time equivalency information submitted to the Ohio Department of Education.

Officials' Response: Please note the Quaker Digital Academy adopted board policy in reference to computer and non-computer opportunities:

School Board Policy 2370.01- Student Learning Opportunities

The Quaker Digital Academy Board supports and approves Quaker Digital Academy's effort of providing students with a flexible approach in their learning to assist them in finding success. The flexibility of asynchronous online course offerings empowers students to take advantage of being able to access learning opportunities not available in a traditional school setting. In addition to the online learning opportunities, the Board supports the school's use of non-classroom, non-computer and computer-based learning activities. These learning opportunities provide and empower the student the flexibility in their learning that can lead them to success. This policy grants the CEO/Executive Director of Quaker Digital Academy the discretion of counting all academic and online hours logged by a student during the calendar year toward the required hours necessary to establish a student's full-time equivalence status (FTE). This includes any time the student has access to their online coursework in a given day (twenty-four (24) hours), weekends, holidays and school breaks. In the case of non-classroom, non-computer base learning activities, a student is required to compile a "Non-Classroom, Noncomputer-Based Log" which must include the student's name or SSID, brief description of the learning opportunities, dates and times of actual learning opportunities, total of verified learning opportunities time and signature of verifying parent/guardian and/or teacher. Adopted 9/14/16

In addition, the Academy is in the process of purchasing Maestro (Student Information System) that will integrate the following programs, Edmentum, Calvert, Odyessware, Lincoln Interactive,etc to track the number of hours each student spent on working towards completing his/her coursework.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 3314.02(A)(7) defines an Internet-or computer-based community school as a community school established under this chapter in which the enrolled students work primarily from their residences on assignments in non-classroom-based learning opportunities provided via an Internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include Internet-based, other computer-based and non-computer-based learning opportunities unless a student receives career-technical education under § 3314.086 of the Rev. Code.

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance (Continued)

Article IV, Section K of the Successor Community School Sponsor Contract entered into on December 17, 2012 between the New Philadelphia City School District and the Quaker Digital Academy defines learning opportunities as including the Academy’s internet-based and book based curriculum, student-school interactions, and independently-completed school assignments. Learning opportunities also include orientation activities that introduce students to the educational program of the Academy (including the use of technology) and other curriculum and educational activities approved by the Academy to meet the needs of its students.

Exhibit 1, Education Plan of the Quaker Digital Academy, also states the Quaker Digital Academy's curriculum and instruction are deliverable online and/or through independent study at home. The Academy may use either internet or non-internet systems to deliver the curriculum.

The Academy uses several different curriculums in order to best serve the students. One of the curriculums is Calvert, which is a text book/correspondence class that was utilized by approximately 142 students during fiscal year 2016. Students are provided with text books at the beginning of each course and only required to submit tests to Calvert's advisory teaching service for grading. The tests may be mailed or emailed to Calvert for grading. The grades are then given to the Academy for input on the student's progress reports. No other assignments are required to be submitted by the students for grading to either Calvert or to the Academy. This type of correspondence class does not comply with Ohio Rev. Code § 3314.02(A)(7) given that the Academy is considered an internet-or computer-based community school.

The Academy should implement procedures to ensure that the curriculum provided is via an internet or other computer-based instructional method in order to comply with Ohio Rev. Code § 3314.02(A)(7).

Officials’ Response: Quaker Digital Academy (QDA) has been utilizing Calvert Courses since its initial contract approved by Ohio Department of Education. Calvert students work from the comfort of their home and are assigned a QDA teacher to oversee their progress on their assigned courses. QDA teachers provide support to parents and students on their curricular courses. Parents work with the teachers to solve academic problems that their student may be experiencing. QDA teachers provide tutoring both online and face to face to students that are struggling with academic concepts. During the 2015-16 school year student course tests were graded by Calvert. Once student test results were established the parents and the QDA teacher had access to them. Teachers worked with parents to make adjustments and recommendations on remediation or acceleration of the student’s academics. In addition, students have the opportunity to do enrichment activities with Calvert that were computer based and built into their courses. Beginning in the 2016-17 school year QDA teachers assumed the role of grading all Calvert courses as well as monitoring student progress and providing tutoring. In 2017-18 Calvert courses will be offered online to students as well as providing textbooks for students that provide that format. Enrichment activities and assessments will be digitally provided.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 3314.03(A)(6)(b) requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

Ohio Rev. Code § 3314.08(H)(2), in part, states a student's enrollment shall be considered to cease on the date on which any of the following occur:

(a) The community school receives documentation from a parent terminating enrollment of the student.
(b) The community school is provided documentation of a student's enrollment in another public or private school.
(c) The community school ceases to offer learning opportunities to the student pursuant to the terms of the contract with the sponsor or the operation of any provision of this chapter.

Except as otherwise specified in this paragraph, beginning in the 2011-2012 school year, any student who completed the prior school year in an internet- or computer-based community school shall be considered to be enrolled in the same school in the subsequent school year until the student's enrollment has ceased as specified in division (H)(2) of this Section. The department shall continue subtracting and paying amounts for the student under division (C) of this section without interruption at the start of the subsequent school year. However, if the student without a legitimate excuse fails to participate in the first one hundred five consecutive hours of learning opportunities offered to the student in that subsequent school year, the student shall be considered not to have re-enrolled in the school for that school year and the department shall recalculate the payments to the school for that school year to account for the fact that the student is not enrolled.

Board Policy #5130 Withdrawal from School states that in compliance with House Bill 66, all community schools are to remove students from their roster who are inactive for a period of twenty-one days. This policy is based on a school calendar with a 5.5 hour school day, which would have required the student to miss 21 consecutive days to meet the 105 hour rule. However, the school calendar, as documented in EMIS for the 2015-2016 school year, used a 6 hour school day. Given Ohio Rev. Code requirements, students should have been considered truant after 105 consecutive hours of inactivity or 18 days and not the 21 days required by the Board's Policy.

During testing of 34 students that withdrew from the Academy in fiscal year 2016, the following errors were noted:

- One student was withdrawn on day 21 as per the Academy's withdrawal policy. However, in accordance with the Ohio Rev. Code, the student should have been withdrawn on day 18. As a result, the student was improperly enrolled for three extra days.
- One student was withdrawn by the parent/guardian after 21 days of inactivity. According to the Ohio Rev. Code, the student should have been considered truant and withdrawn on day 18. As a result the student was improperly enrolled for three extra days.

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

FINDING NUMBER 2016-003 (Continued)

Noncompliance (Continued)

- One student was considered truant based on the Academy's withdrawal policy standards and the Ohio Rev. Code requirements, but not properly withdrawn by the Academy. The student should have been withdrawn on November 3, 2015. However, the student was enrolled in the Academy for another 18 school days until the student transferred to another school on December 2, 2015.
- One student was inactive for an 18 day period and considered truant based on the Ohio Rev. Code requirements. However, the student was not withdrawn by the Academy as the Board's policy contradicts the Ohio Rev. Code requirements. The student should have been withdrawn on March 24, 2016. However, the student was enrolled in the Academy for another 22 school days until the student withdrew.

The Academy should update the Board policy in order to comply with Ohio Rev. Code requirements. The Academy should also implement procedures to ensure that inactive students are withdrawn in accordance with the Ohio Rev. Code. This will ensure that the Academy receives the proper amount of funding from the Ohio Department of Education.

Officials' Response: Quaker Digital Academy is working with NEOLA to update all its board policies to comply with current ORC. In addition, we reviewed the EMIS calendar setup and made revision to comply with the 105 hour rule of student inactivity for withdrawal.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 3314.08(H)(2) states that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Rev. Code.

Ohio Rev. Code § 3301.0714(A) and (B)(2) provides that the state board of education shall adopt rules for a statewide education management information system. These guidelines adopted under this section shall require the data maintained in the education management information system to include personnel and classroom enrollment data for each school district.

Ohio Department of Education FTE Review and Community School Enrollment Handbook, Revised January 2015, Section Entry Date/From Date states for an eSchool student, the "From Date" (or enrollment date) would be the later of either the first day of login or the date he/she receives a computer.

Additionally, in order to track the computers given to students, a parent or guardian signs and dates a computer release form that lists the inventory tag of the computer being distributed to the student.

However, during testing of 38 students, the following errors were noted:

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

FINDING NUMBER 2016-004 (Continued)

Noncompliance (Continued)

- One student, who elected not to receive a computer, was improperly enrolled into the Academy on November 23, 2015. However, the student did not log into the system until December 10, 2015. As a result, the Academy improperly received funding for eleven extra days.
- Three students, who elected not to receive computers, had improper enrollment dates as the student log-in date was one day after the enrollment date reflected in the report to Ohio Department of Education. As a result, the Academy improperly received funding for one extra day for each of these students.
- One student, who elected to receive a computer, had an enrollment date of August 24, 2015 which is the first day the student logged into the system. However, the student received the computer on August 25, 2015. As a result, the Academy improperly received funding for one extra day.
- One student had an enrollment date of January 11, 2016, which agreed to the day the student logged into the system. However, the student received the computer on January 21, 2016. As a result, the Academy improperly received funding for eight extra days.
- One student, who elected not to receive a computer, had an enrollment date of August 27, 2015 reflected on the Ohio Department of Education report even though the student logged into the system for the first time on August 24, 2015. As a result, the Academy could have received three extra days of funding.
- Five instances were noted where the date the computer was received by the parent was not documented on the computer release form. Although we were able to obtain the date from the Academy's IT Department, the release form should properly reflect the date as a means of supporting documentation.

The Academy should implement procedures to ensure that the enrollment date reported in the education management information system complies with guidance provided by the Ohio Department of Education. This will ensure that the Academy receives the proper amount of FTE funding and complies with the Ohio Rev. Code requirements.

Officials' Response: The Academy has revised their enrollment processes and computer distribution to students to comply with ORC requirements.

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Errors in posting receipts, expenses, assets, and liabilities.	Partially Corrected	Although financial reporting errors were identified, the errors were not material to the financial statements.

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Dave Yost • Auditor of State

QUAKER DIGITAL ACADEMY

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 21, 2017

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