QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

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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, 2015, 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, Ohio, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension 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 May 19, 2016, 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

May 19, 2016

The discussion and analysis of the Quaker Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. 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.

The Management's Discussion and Analysis (the "MD & A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2015 are as follows:

- Net position totaled $24,662, an increase of $684,534 over fiscal year 2014.
- Total assets were $3,832,797, an increase of $612,315 from fiscal year 2014.
- Current Liabilities totaled $159,802, a decrease of $822 from fiscal year 2014.
- Operating revenues equaled $4,422,368 and non-operating revenues were $254,525.
- Operating expenses amounted to $3,992,359.

Using this Annual Report

This annual report consists of the MD & A, the basic financial statements and the notes to the basic financial statements. The basic 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 the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, 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.

Table 1 provides a summary of the Academy's net position for fiscal year 2015 and 2014 as follows:

Table 1
Net Position at June 30,

	2015	Restated 2014	Change
Assets			
Current and Other Assets	$3,809,308	$3,193,288	$616,020
Capital Assets	23,489	27,194	(3,705)
Total Assets	3,832,797	3,220,482	612,315
Deferrred Outflows of Resources			
Pensions	245,310	198,667	46,643
Tota Deferred Outflows of Resources	245,310	198,667	46,643
Liabilities			
Current and Other Liabilities	159,802	160,624	(822)
Long Term Liabilities			
Net Pension Liability	3,298,509	3,918,397	(619,888)
Total Liabilities	3,458,311	4,079,021	(620,710)
Deferred Inflows of Resources			
Pension	595,134	-	595,134
Total Deferred Inflows of Resources	595,134	-	595,134
Net Position			
Net Investment in Capital Assets	37,054	37,054	-
Restricted	968	21,404	(20,436)
Unrestricted	(13,360)	(718,330)	704,970
Total Net Position	**$24,662**	**($659,872)**	**$684,534**

Total assets of $3,832,797 in 2015 and $3,220,482 in 2014 consisted almost entirely of cash.

Total current liabilities of $159,802 consisted of accounts payable, intergovernmental payable and accrued wages and benefits in 2015 and $160,624 in 2014 were made up of the same categories.

The net impact was an increase in net position of $684,534 for 2015.

During fiscal year 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions –an Amendment of GASB Statement 27" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain 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.

Under the new standards required by GASB 68, the net pension liability equals 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.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $3,059,858 to $(659,872).

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 and 2014, as well as a listing of revenues and expenses.

Table 2
Change in Net Position

	2015	Restated 2014	Change
Operating Revenues			
Foundation Payments	$4,265,239	$4,042,526	222,713
Miscellaneous	$157,129	143,721	13,408
Non-Operating Revenues			
Grants and Entitlements	$250,053	364,379	(114,326)
Investment Income	$4,472	3,410	1,062
Total Revenue	$4,676,893	4,554,036	122,857
Operating Expenses			
Instruction			
Salaries and Benefits	1,979,028	1,914,549	64,479
Purchased Services	1,766,714	1,731,632	35,082
Materials and Supplies	71,407	307,880	(236,473)
Non Instructional	9,260	-	9,260
Capital Outlay	162,245	-	162,245
Depreciation Expense	3,705	3,705	-
Total Operating Expenses	3,992,359	3,957,766	34,593
Change in Net Position	684,534	596,270	88,264
Net Position at Beginning of Year (restated)	(659,872)	NA	
Net Position at End of Year	$24,662	($659,872)	$684,534

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.

For the Future

The Academy began fiscal year 2015 with the various vendors providing most of its instructional services. The Academy will be working towards providing administrative and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the administrative, and fiscal services through its Sponsor, its costs should be more effectively monitored and adjusted, as necessary. However, 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 2016 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 2016.

In addition, the Academy expects student enrollment for fiscal year 2016 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2016 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program to increase substantially.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the Academy's 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 any 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, 2015

Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$3,742,638
Receivables:	
Intergovernmental	66,670
Total Current Assets	3,809,308
Non Current Assets	
Capital Assets	
Depreciable Capital Assets Net	23,489
Total Assets	3,832,797
Deferred Outflows of Resources	
Pension	245,310
Liabilities:	
Current Liabilities	
Accounts Payable	39,393
Accrued Wages and Benefits	82,657
Intergovernmental Payable	37,752
Total Current Liabilities	159,802
Long-Term Liabilities	
Net Pension Liability	3,298,509
Total Long-Term Liabilities	3,298,509
Total Liabilities	3,458,311
Deferred Inflows of Resources	
Pension	595,134
Net Position	
Net Investment in Capital Assets	37,054
Restricted for Other Purposes	968
Unrestricted	(13,360)
Total Net Position	$24,662

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, 2015

Operating Revenues	
Foundation Payments	$4,265,239
Miscellaneous	157,129
Total Operating Revenues	4,422,368
Operating Expenses	
Salaries and Benefits	1,979,028
Purchased Services	1,766,714
Supplies and Materials	71,407
Non Instructional	9,260
Capital Outlay	162,245
Depreciation	3,705
Total Operating Expenses	3,992,359
Operating Income	430,009
Non-Operating Revenues	
Grants	250,053
Investment Income	4,472
Total Non-Operating Revenues	254,525
Change in Net Position	684,534
Net Position Beginning of Year (Restated, Note 2)	(659,872)
Net Position End of Year	$24,662

See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$4,265,239
Cash Received for Services	157,129
Cash Payments to Employees For Services	(2,035,468)
Cash Payments for Goods and Services	(2,025,405)
Net Cash Provided by Operating Activities	361,495
Cash Flows from Noncapital Financing Activities	
Grants Received	196,630
Investment Revenue	4,449
Net Cash Provided by Noncapital Financing Activities	201,079
Net Increase in Cash and Cash Equivalents	562,574
Cash and Cash Equivalents Beginning of Year	3,180,064
Cash and Cash Equivalents End of Year	$3,742,638
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	$430,009
Adjustments:	
Depreciation	3,705
Increase (Decrease) in Liabilities:	
Accounts payable	(15,779)
Accrued wages and benefits	3,315
Deferred Inflows Pension	595,133
Net Pension Liability	(619,888)
Deferred Outflows Pension	(46,642)
Intergovernmental payable	11,642
Net Cash Provided by Operating Activities	$361,495

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 leases space from the Sponsor in the Sponsor's Administration Building.

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, 2014 to June 30, 2015 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 2015 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 2015.

Note 2 – Summary of Significant Accounting Policies

The accounting policies and financial practices of the Academy conform to generally accepted accounting principles as applicable to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of its significant accounting policies.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, 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.

C. Basis of Accounting

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

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in 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.

E. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which are both restricted and unrestricted.

F. 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 these definitions are reported as non-operating.

G. 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.

H. Accrued Liabilities

All payables and accrued liabilities are reported in the financial statements.

I. Estimates

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

J. Cash and cash equivalents

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.

K. 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 retirements during the year. Donated capital assets are recorded at their fair market 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except 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

L. 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources have been reported for the following two items related to the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources are reported for the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 9).

M. 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 position 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.

N. Change in Accounting Principles

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	$3,059,858
Adjustments:	
Net Pension Liability	(3,918,397)
Deferred Outflow - Payments Subsequent to Measurement Date	198,667
Restated Net Position June 30, 2014	($659,872)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 – Deposits and Investments

Deposits: At fiscal year end the carrying amount of the Academy's deposits was ($5,668) and the bank balance was $13,832. The deficit carrying balance is covered by the Academy's investments 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% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Investments: As of June 30, 2015, the Academy had the following Investments:

	Fair Value	Maturity
Repurchase Agreement	$3,748,306	Daily
Total Portfolio	$3,748,306	

Interest rates 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 investment policy addresses interest risk by requiring the Academy investment portfolio 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.

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

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 they are uninsured, unregistered, and held by the counter party. The Academy has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made upon the delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2015.

Investment Type	Fair Value	% Total
Repurchase Agreement	$ 3,748,306	100.00

Note 4 – Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015 the Academy purchased its own insurance for property, liability, and inland marine coverage.

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Buildings and Contents - replacement cost ($1,000 deductible)	$156,000
Electronic data Processing ($1000 deductible)	530,000
Automobile Liability ($250/$500 deductible)	1,000,000
Uninsured Motorists ($0 deductible)	1,000,000

General Liability	
Per occurrence	1,000,000
Total per year	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.

B. 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, 2015, the Academy was contracted with the School District to provide health insurance benefits to its employees. The Academy paid $166,774 for health insurance benefits to the School District.

Note 5 – 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 2014-15 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 2014-15 school year the Academy paid $258,559 to Calvert, $17,440 to Rosetta Stone, $6,909, to BYU, $10,279 to Apex Learning, $126,144 to Edmentum, $125,075 to Odysseyware and $330,099 to NNDS Management Foundation.

Note 6 – Contingencies

A. 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 Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. State Foundation Funding

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this could result in "either a receivable to or liability of the Academy."

Note 7 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2015 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 8 – Purchased Services

For the fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional and Technical Services	$1,766,714

Note 9 - 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 year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

A. School Employee Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $54,383 for fiscal year 2015. Of this amount $45 is reported as an intergovernmental payable.

B. 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 will be 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 two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five 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 will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five 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, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $145,736 for fiscal year 2015. Of this amount $4,475 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, 2014, 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**
Proportionate Share of the Net Pension Liability	$ 665,312	$ 2,633,197	$ 3,298,509
Proportion of th Net Pension Liability	0.013146%	0.0108258%	
Pension Expense	$ 38,826	$ 104,073	$ 142,899

At June 30, 2015, 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			
Difference Between expected and actual experience	$ 5,663	$ 25,350	$ 31,013
Academy contributions Subsequent to the measurement date	$ 54,383	$ 159,914	$ 214,297
Total Deferred Outflows of resources	$ 60,046	$ 185,264	$ 245,310
Deferred Inflows of Resources			
New difference between projected and actual earnings on pension plan investments	$ 107,982	$ 487,152	$ 595,134

$214,297 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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:			
2016	$ (25,566)	$ (115,450)	$ (141,016)
2017	(25,566)	(115,450)	(141,016)
2018	(25,566)	(115,450)	(141,016)
2019	(25,621)	(115,451)	(141,072)
Total	$ (102,319)	$ (461,801)	$ (564,120)

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, 2014, are presented below:

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets 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 each plan's 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	$949,202	$665,312	$426,535

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
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 no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real 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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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	$3,769,709	$2,633,197	$1,672,091

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, there are no employees contributing to Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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 basic 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 2015, 0.82 percent 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 2015, this amount was $20,450. 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 2015, the Academy's surcharge obligation was $5,784.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $3,383, $598, and $390, respectively. For fiscal year 2015, 100 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $11,025, and $10,787 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
Furniture and Equipment	$12,554	$0	$0	$12,554
Vehicles	24,500	0	0	24,500
Totals at Historical Cost	$37,054	$0	$0	$37,054
Less Accumulated Depreciation:				
Furniture and Equipment	($2,510)	($1,255)	$0	($3,765)
Vehicles	($7,350)	($2,450)	$0	($9,800)
Total Accumulated Depreciation	($9,860)	($3,705)	$0	($13,565)
Assets, Net	$27,194	($3,705)	$0	$23,489

* Depreciation expense was charged to:

Depreciation Expense	$3,705

Note 12 - Jointly Governed Organizations

Ohio Mid Eastern Regional Education 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 educational 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. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952. During fiscal year 2015, the Academy paid $40,425 to OME-RESA for various services

Note 13 - Long Term Debt

	Principal Outstanding 6/30/2014	Additions	Reductions	Principal Outstanding 6/30/2015	Amounts Due in One Year
Net Pension Liability:					
STRS	$ 3,136,647	$ -	$ 503,450	$ 2,633,197	$ -
SERS	781,750	-	116,438	665,312	-
Total Net Pension Liability	$ 3,918,397	$ -	$ 619,888	$ 3,298,509	$ -

Note 14 - Related Party Transactions

In fiscal year 2015, the Academy paid the Sponsor $591,774, for services provided by the Sponsor to the Academy as well as insurance premiums paid by the Sponsor for the Academy.

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 Two Fiscal Years (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.013146%	0.013146%
Academy's Proportionate Share of the Net Pension Liability	$665,312	$781,750
Academy's Covered-Employee Payroll	$401,709	$259,624
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	165.62%	301.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented 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 Two Fiscal Years (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.0108258%	0.0108258%
Academy's Proportionate Share of the Net Pension Liability	$2,633,197	$3,136,647
Academy's Covered-Employee Payroll	$1,120,938	$1,161,769
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	234.91%	269.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

Quaker Digital Academy
Required Supplementary Information
Schedule of Academy Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$159,913	$145,722	$151,030	$100,134	$80,060	$59,520	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	(159,913)	(145,722)	(151,030)	(100,134)	(80,060)	(59,520)	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Academy Covered-Employee Payroll	$1,142,232	$1,120,938	$1,161,769	$770,262	$615,846	$457,846	$0	$0	$0	$0
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

(1) Information prior to 2010 is not available.

Quaker Digital Academy

Required Supplementary Information

Schedule of Academy Contributions

State Employees Retirement System of Ohio

Last Six Fiscal Years (1)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$54,383	$52,945	$35,932	$27,612	$26,570	$16,763	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	(54,383)	(52,945)	(35,932)	(27,612)	(26,570)	(16,763)	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Academy Covered-Employee Payroll	$412,620	$401,709	$259,624	$205,294	$211,376	$123,804	$0	$0	$0	$0
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

(1) Information prior to 2010 is not available.

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, 2015, and the related notes to the financial statement, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 19, 2016, wherein we noted the Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider Finding 2015-001 to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Academy's Response to Findings

The Academy's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 19, 2016

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

Significant Deficiency

The Academy should maintain an accounting system and accounting records sufficient to enable the Academy to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with generally accepted accounting principles.

During our review of the 2015 financial statements, we noted the following adjustments which were made to the financial statements:

- At June 30, 2015, Accounts Payable was overstated by $217,875, along with the related Purchased Services expense, as the services performed and payment were not made until July 2015.
- Deferred Inflows of Resources and Deferred Outflows of Resources were understated by $198,668 and $212,845, respectively, and Salaries and Benefits expense were overstated by $14,177 as the pension amounts recorded by the Academy at June 30, 2015 did not include contributions made by the Academy during fiscal year 2015.

We also noted the following insignificant reclassifications during our audit:

- The Academy recorded $34,341 of casino tax revenue as Foundation Payments when it should have been recorded as Intergovernmental Revenue.
- The Academy recorded $162,245 of capitalized assets as Capital Outlay Expense when it should have been recorded as Supplies and Materials Expense.

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Failure to properly report financial activity could result in material misstatements occurring.

To help ensure the Academy's financial statements and notes to the financial statements are complete and accurate, the Academy should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

Official's Response: Auditor of State's Local Government Services will be assisting in the preparation of financial statements for FY16 which should help to correct all of the adjustments.

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Dave Yost · Auditor of State

QUAKER DIGITAL ACADEMY

TUSCARAWAS 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
MAY 31, 2016

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