QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

Dave Yost · Auditor of State

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Dave Yost

Dave Yost
Auditor of State

January 3, 2012

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 years ended June 30, 2011 and 2010. 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 the fiscal year ended June 30, 2011, are as follows:

- Net assets totaled $1,667,944, an increase of $262,960 over fiscal year 2010.
- Total assets were $1,876,101, an increase of $332,782 from fiscal year 2010.
- Liabilities totaled $208,157, an increase of $69,822 from fiscal year 2010.
- Operating revenues equaled $2,593,922 and non-operating revenues were $490,284.
- Operating expenses amounted to $2,821,246.

Key financial highlights for fiscal year ended June 30, 2010 are as follows:

- Net assets totaled $1,404,984, a decrease of $54,441 over fiscal year 2009.
- Total assets were $1,543,319, an increase of $62,440 from fiscal year 2009.
- Liabilities totaled $138,335, an increase of $116,881 from fiscal year 2009.
- Operating revenues equaled $1,994,290 and non-operating revenues were $179,414.
- Operating expenses amounted to $2,228,145.

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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2011 and 2010?" The Statement of Net Assets 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 assets for fiscal year 2011 and 2010 as follows:

Table 1
Net Assets at June 30,

	2011	2010
Assets		
Current assets	$1,876,101	$1,543,319
Liabilities		
Current Liabilities	208,157	138,335
Net Assets		
Invested in Capital Assets	24,500	0
Restricted for Other purposes	34,886	0
Unrestricted	1,608,558	1,404,984
Total Net asset	$1,667,944	$1,404,984

Total assets of $1,876,101 in 2011 and $1,543,319 in 2010 consisted almost entirely of cash.

Total liabilities of $208,157 consisted of accounts payable, intergovernmental payable and accrued wages and benefits in 2011 and $138,335 in 2010 were made up of the same categories.

The net impact was a increase in net assets of $262,960 for 2011 and an decrease of $54,441 for 2010.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 and 2010, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2011	2010
Operating Revenues		
Foundation Payments	$2,562,981	$1,990,429
Charges for Services	5,582	1,277
Miscellaneous	25,359	2,584
Non-Operating Revenues		
Grants - Federal	485,869	169,754
Investment Income	4,415	9,660
Total Revenues	3,084,206	2,173,704
Operating Expenses		
Instruction:		
Regular	1,061,226	969,895
Special	309,702	246,484
Vocational	350	0
Other	696	20,439
Support Services:		
Pupil	10,691	0
Instructional staff	205,980	19,528
Board of Education	1,111	87,252
Administration	899,682	641,791
Fiscal	246,907	184,699
Operation and Maintenance of Plant	84,486	57,972
Pupil Transportation	415	85
Total Operating Expenses	2,821,246	2,228,145
Increase (Decrease) in Net assets	262,960	(54,441)
Net Assets at Beginning of Year	1,404,984	1,459,425
Net Assets at End of Year	$1,667,944	$1,404,984

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 2011 with the various vendors providing most of its instructional, services. The Academy will be working towards providing instructional, administrative, and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the instructional, 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 2012 with its Sponsor. In agreement with this contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, hourly staff to provide support services to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed $375,000 for fiscal year 2012.

In addition, the Academy expects student enrollment for fiscal year 2012 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2012 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 Steven D. Sherer, Treasurer, at Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at sherers@npschools.org.

Quaker Digital Academy
Statement of Net Assets
June 30, 2011

Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$1,825,350
Receivables:	
Intergovernmental	25,186
Accrued Interest	1,065
Capital Assets	
Other Depreciable Capital Assets Net	24,500
Total Assets	1,876,101
Liabilities:	
Current Liabilities	
Accounts payable	125,473
Accrued Wages and Benefits	46,691
Intergovernmental Payable	35,993
Total Liabilities	208,157
Net Assets	
Invested in Capital Assets	24,500
Restricted for Other Purposes	34,886
Unrestricted	1,608,558
Total Net Assets	$1,667,944

See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Revenues,
Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Operating Revenues	
Foundation Payments	$2,562,981
Charges for Services	5,582
Miscellaneous	25,359
Total Operating Revenues	2,593,922
Operating Expenses	
Instruction:	
Regular	1,061,226
Special	309,702
Vocational	350
Other	696
Support Services:	
Pupil	10,691
Instructional staff	205,980
Board of Education	1,111
Administration	899,682
Fiscal	246,907
Operation and Maintenance of Plant	84,486
Pupil Transportation	415
Total Operating Expenses	2,821,246
Operating Income(Loss)	(227,324)
Non-Operating Revenues	
Grants - Federal	485,869
Investment Income	4,415
Total Non-Operating Revenues	490,284
Change in Net Assets	262,960
Net Assets Beginning of Year	1,404,984
Net Assets End of Year	$1,667,944

See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$2,562,981
Cash Received for Services	30,941
Cash Payments to Employees For Services	(1,072,766)
Cash Payments for Goods and Services	(1,678,658)
Net Cash Provided (Used) by Operating Activities	(157,502)
Cash Flows from Noncapital Financing Activities	
Grants Received	461,416
Investment Revenue	7,071
Net Cash Provided by Noncapital Financing Activities	468,487
Cash Flows from Investing Activities	
Cash Paid for Purchase of fixed assets	(24,500)
Net Cash provided by Investing Activities	(24,500)
Net Increase in Cash and Cash Equivalents	286,485
Cash and Cash Equivalents Beginning of Year	1,538,865
Cash and Cash Equivalents End of Year	$1,825,350

Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	($227,324)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts payable	56,500
Accrued wages and benefits	20,005
Intergovernmental payable	(6,683)
Net Cash Provided (Used) by Operating Activities	($157,502)

See accompanying notes to the basic financial statements

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.

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, 2009. 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 years 2010-12 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 $350,000 during fiscal year 2011 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 personnel services, which provided services to 460 students, were purchased from outside organizations during fiscal year 2011.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to the enterprise activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and

Interpretations issued after November 30, 1989, to its enterprise activities, subject to the same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their 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.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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.

Note 3 – Deposits

At June 30, 2011, the carrying amount of the Academy's deposits was $252,307. As of June 30, 2011 $258,472 of the Academy's bank balance of $263,570 was covered by federal depository insurance and $5,098 was collateralized with securities held in a single financial institution collateral pool in the name of the respective depository bank and pledged as a pool of collateral against all the public monies it holds. Non-compliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

The Academy's investments consisted solely in repurchase agreements with a fair market value of $1,572,835. The maturity of the repurchase agreements was less than six months.

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's investment policy addresses interest risk by requiring the Academy's 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.

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.

Of the Academy's $1,572,835 investment in repurchase agreements in 2011, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial risk beyond the 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."

Note 4 – Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011 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)	$50,000
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.

Note 5 – Agreements with the Curriculum Service Providers

The Academy entered into agreements with the Curriculum Associates, BYU, Rosetta Stone, Calvert, and NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2010-11 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 2010-11 school year the Academy paid, $144,277 to Calvert, $25,950 to Rosetta Stone, $11,200 to Curriculum Associates, $9,380 to BYU and $373,838 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, 2011.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed during the 2004 fiscal year of operations and zero errors were found in enrollment, withdrawals and attendance. The Academy does not anticipate any significant adjustments to state funding for fiscal years 2005 through 2011.

Note 7 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2011 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 instructional services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was $350,000.

Note 8 – Purchased Services

For the fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and Technical Services	$1,234,633

Note 9 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2011 and 2010 were $25,202 and $15,900 of which 60 percent has been contributed for year 2011 and 100 percent for year 2010.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011 and 2010 were $80,060 and $ 59,520; of which 86.5 percent has been contributed for year 2011 and 100 percent for 2010. Contributions to the DC and Combined Plans for fiscal year 2011 were $80,060 made by the Academy and $57,186 made by the plan members.

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, 2011, there are no employees contributing to Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was $96.40 for most participants but could be as high as $369.10 per month depending on their income. SERS reimbursement for retirees was $45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was $35,800.

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.
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The Academy's contributions for health care for the fiscal year ended June 30, 2011 and 2010 were $33,147 and $753 ; of which 60 percent has been contributed for year 2011 and 100 percent for year 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2011 and 2010 were $1,622 and $1,245; of which 60 percent has been contributed for fiscal year 2011 and 100 percent for 2010.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2011 and 2010 were $6,158 and $4,232; of which 86.5 percent has been contributed for year 2011 and 100 percent for 2010.

Note 11 - Change in Accounting Principles

For the fiscal year ended 2011, the district has implemented GASB Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions, and GASB Statement No. 59 "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies definition of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements pf the Academy.

GASB Statement No 59 updates and improves guidance for financial reporting disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement no 59 did not have an effect on the financial statements of the Academy.

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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www.auditor.state.oh.us

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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 3, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

January 3, 2012

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Quaker Digital Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Director's and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

January 3, 2012

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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
FEBRUARY 9, 2012

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