



Dave Yost • Auditor of State



GOAL DIGITAL ACADEMY  
RICHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position .....	9
Statement of Revenues, Expenses and Change in Net Position .....	10
Statement of Cash Flows .....	11
Notes to the Basic Financial Statements .....	13
Schedules of Required Supplementary Information .....	30
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37
Schedule of Findings.....	39
Corrective Action Plan (Prepared by Management) .....	42

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

GOAL Digital Academy  
Richland County  
890 West 4<sup>th</sup> Street, Suite 400  
Mansfield, Ohio 44906

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of GOAL Digital Academy, Richland County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GOAL Digital Academy, Richland County, Ohio, as of June 30, 2017, and the change 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.

**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 September 19, 2018, 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**  
Auditor of State  
Columbus, Ohio

September 19, 2018

**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

The management's discussion and analysis of The GOAL Digital Academy's (the "GDA") financial performance provides an overall review of the GDA's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the GDA's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the GDA's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$55,913 which represents a 1.79% increase from 2016.
- The GDA had operating revenues of \$3,435,562 and operating expenses of \$3,758,698 for fiscal year 2017. The GDA's operating loss and increase in net position for the fiscal year was \$(323,136) and \$55,913, respectively.
- The GDA is the fiscal agent for the North East Jobs for Ohio's Graduates (JOG) program. Activities related the GDA's fiscal agent responsibilities for the JOG program have been reported as non-operating revenues and expenses in the GDA's financial statements.

**Using these Basic Financial Statements**

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

**Reporting the GDA Financial Activities**

**Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows**

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the GDA's *net position* and change in that position. This change in net position is important because it tells the reader that, for the GDA as a whole, the *financial position* of the GDA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the GDA finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 13-29 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning GDA's net pension liability. The required supplementary information can be found on pages 32 through 38 of this report.

At year-end, capital assets represented 8.32% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending. The table below provides a summary of the GDA's net position, liabilities, deferred inflows, deferred outflows, and assets for 2017 and 2016.

	<b>Net Position</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Assets</u></b>		
Current assets	\$ 1,443,276	\$ 1,354,715
Capital assets, net	<u>130,951</u>	<u>129,322</u>
Total assets	<u>1,574,227</u>	<u>1,484,037</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>1,311,193</u>	<u>384,857</u>
Total deferred outflows of resources	<u>1,311,193</u>	<u>384,857</u>
<b><u>Liabilities</u></b>		
Current liabilities	374,912	176,298
Non-current liabilities:		
Net pension liability	<u>4,956,569</u>	<u>3,645,217</u>
Total liabilities	<u>5,331,481</u>	<u>3,821,515</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pensions	<u>614,368</u>	<u>1,163,721</u>
Total deferred inflows of resources	<u>614,368</u>	<u>1,163,721</u>
<b><u>Net Position</u></b>		
Investment in capital assets	130,951	129,322
Restricted	4,000	90,812
Unrestricted (deficit)	<u>(3,195,380)</u>	<u>(3,336,476)</u>
Total net position	<u>\$ (3,060,429)</u>	<u>\$ (3,116,342)</u>



**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

During a previous fiscal year, the GDA adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the GDA'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 GDA'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 GDA 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 GDA'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.

**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

As a result of implementing GASB 68, the GDA is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. The increase in net position is due to an increase in State Foundation revenue.

The table below shows the changes in net position for fiscal years 2017 and 2016.

**Change in Net Position**

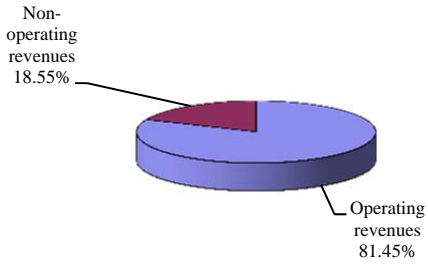
	<u>2017</u>	<u>2016</u>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 3,377,515	\$ 3,037,451
Other	58,047	80,594
Total operating revenue	<u>3,435,562</u>	<u>3,118,045</u>
<b><u>Operating expenses:</u></b>		
Salaries and wages	1,711,715	1,569,005
Fringe benefits	435,702	217,266
Contract services	1,257,775	970,212
Materials and supplies	253,694	148,546
Depreciation	65,143	51,830
Other	34,669	20,811
Total operating expenses	<u>3,758,698</u>	<u>2,977,670</u>
<b><u>Non-operating revenues (expenses):</u></b>		
State and federal grants	350,735	339,462
Fiscal agent activities:		
JOG program revenues	431,652	444,380
JOG program expenses	<u>(403,338)</u>	<u>(509,368)</u>
Total non-operating revenues (expenses)	<u>379,049</u>	<u>274,474</u>
Change in net position	55,913	414,849
Net position (deficit) at beginning of year	<u>(3,116,342)</u>	<u>(3,531,191)</u>
Net position (deficit) at end of year	<u>\$ (3,060,429)</u>	<u>\$ (3,116,342)</u>

**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

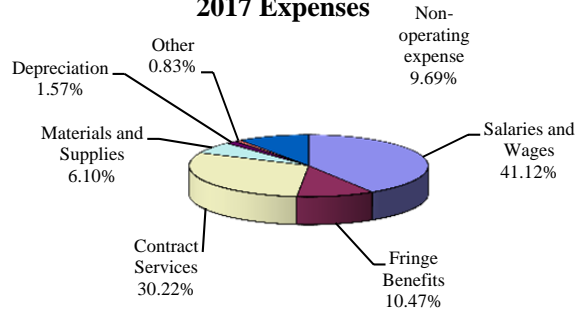
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

The charts below illustrate the revenues and expenses for the GDA during fiscal years 2017 and 2016:

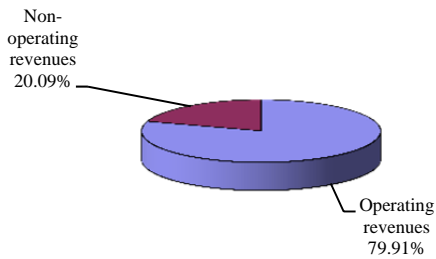
**2017 Revenues**



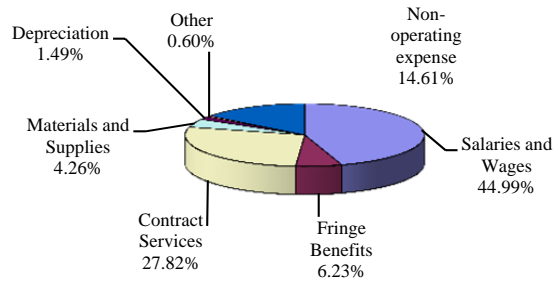
**2017 Expenses**



**2016 Revenues**



**2016 Expenses**



**THE GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

**Capital Assets**

At June 30, 2017, the GDA had \$130,951 invested in furniture and equipment. See Note 6 to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The GOAL Digital Academy (GDA) is a conversion community E-School sponsored by Mid-Ohio Educational Service Center. This sponsorship was renewed and runs from July 1, 2016 through June 30, 2020.

GDA operates under less restrictive guidelines than a traditional "brick and mortar" school; and thus, is capable of providing their curriculum/education in a more cost-effective manner. Also, unlike traditional schools, a community school cannot levy any taxes and must survive on State revenues and donations. At this time GDA relies solely on State funding for its resources. That being stated, GDA is continually looking for more efficient and effective ways to educate children in order to balance the five year forecast. No additional resources outside of State funds are projected in the upcoming five-years.

GOAL Digital Academy is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for its students.

**Contacting the GDA Treasurer**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of GDA's finances and to show GDA's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Steve Earnest, Treasurer, at GOAL Digital Academy, 890 West Fourth Street, Suite 400, Mansfield, Ohio 44906.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 1,368,472
Receivables:	
Accounts . . . . .	12,370
Intergovernmental . . . . .	52,737
Prepayments . . . . .	<u>9,697</u>
Total current assets . . . . .	<u>1,443,276</u>
Non-current assets:	
Capital assets, net . . . . .	<u>130,951</u>
Total non-current assets . . . . .	<u>130,951</u>
Total assets . . . . .	<u>1,574,227</u>
<b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	1,004,282
Pension - SERS . . . . .	<u>306,911</u>
Total deferred outflows of resources . . . . .	<u>1,311,193</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	30,425
Accrued wages and benefits . . . . .	131,740
Pension and postemployment benefits payable . . . . .	25,785
Intergovernmental payable . . . . .	<u>186,962</u>
Total current liabilities . . . . .	<u>374,912</u>
Non-current liabilities:	
Net pension liability . . . . .	<u>4,956,569</u>
Total non-current liabilities . . . . .	<u>4,956,569</u>
Total liabilities . . . . .	<u>5,331,481</u>
<b>Deferred inflows of resources:</b>	
Pension - STRS . . . . .	220,962
Pension - SERS . . . . .	<u>393,406</u>
Total deferred inflows of resources . . . . .	<u>614,368</u>
<b>Net position:</b>	
Investment in capital assets . . . . .	130,951
Restricted for:	
State funded programs . . . . .	4,000
Unrestricted (deficit) . . . . .	<u>(3,195,380)</u>
Total net position (deficit) . . . . .	<u>\$ (3,060,429)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 3,377,515
Other . . . . .	58,047
Total operating revenues . . . . .	3,435,562
<b>Operating expenses:</b>	
Salaries and wages. . . . .	1,711,715
Fringe benefits. . . . .	435,702
Contract services . . . . .	1,257,775
Materials and supplies . . . . .	253,694
Depreciation . . . . .	65,143
Other. . . . .	34,669
Total operating expenses. . . . .	3,758,698
Operating loss . . . . .	(323,136)
<b>Non-operating revenues (expenses):</b>	
State and federal grants. . . . .	350,735
Fiscal agent activities:	
JOG program revenues . . . . .	431,652
JOG program expenses . . . . .	(403,338)
Total nonoperating revenues (expenses) . . . .	379,049
Change in net position . . . . .	55,913
<b>Net position (deficit) at beginning</b>	
<b>of year . . . . .</b>	<b>(3,116,342)</b>
<b>Net position (deficit) at end of year . . . . .</b>	<b>\$ (3,060,429)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 3,558,509
Cash received from other operations . . . . .	50,355
Cash payments for salaries and wages. . . . .	(2,317,097)
Cash payments for contractual services . . . . .	(1,245,779)
Cash payments for materials and supplies . . . . .	(235,060)
Cash payments for other expenses . . . . .	(21,070)
	<hr/>
Net cash used in operating activities . . . . .	(210,142)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from State and federal grants . . . . .	403,298
Fiscal agent activities:	
Cash received from JOG program . . . . .	462,392
Cash used in payments for JOG program. . . . .	(403,338)
	<hr/>
Net cash provided by noncapital financing activities. . . . .	462,352
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(66,772)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(66,772)
Net increase in cash and cash equivalents. . . . .	185,438
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>1,183,034</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,368,472</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (323,136)
Adjustments:	
Depreciation . . . . .	65,143
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable . . . . .	(11,995)
Intergovernmental receivable . . . . .	25,569
Deferred outflows - Pension - STRS . . . . .	(719,151)
Deferred outflows - Pension - SERS . . . . .	(207,185)
Accounts payable . . . . .	24,921
Accrued wages and benefits . . . . .	(10,202)
Intergovernmental payable . . . . .	180,199
Pension and postemployment benefits payable . . . . .	3,696
Net pension liability. . . . .	1,311,352
Deferred inflows - Pension - STRS . . . . .	(304,339)
Deferred inflows - Pension - SERS . . . . .	(245,014)
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Net cash used in operating activities . . . . .	\$ (210,142)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

GOAL Digital Academy (“GDA”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. GDA is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. GDA’s objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K - 12 population entirely through distance learning technologies. It is to be operated in cooperation with the Mid-Ohio Educational Service Center (the “Mid-Ohio ESC”) to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. GDA, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. GDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

GDA was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. GDA was approved for operation under a contract with Mount Gilead Exempted Village School District for a five year period commencing September 4, 2002. Sponsorship was subsequently transferred to Mid-Ohio ESC on July 1, 2007 for a five year period. The Sponsorship agreement was renewed through June 30, 2020. Mid-Ohio ESC is responsible for evaluating the performance of GDA and has the authority to deny renewal of the contract at its expiration.

GDA operates under the direction of the Treasurer and a five-member Board of Directors. The Board of Directors consists of five appointed members who represent a cross-section of the community and have been selected for their expertise in assisting GDA to achieve its mission and purposes. The GDA Treasurer shall be a non-voting ex officio member of GDA’s Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows reflects how GDA finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the GDA, see Note 8 for deferred outflows or resources related to GDA's net pension liability.

In addition to liabilities, the statement of net position will 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 as an inflow of resources (revenue) until that time. For the GDA, see Note 8 for deferred inflows or resources related to GDA's net pension liability.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its sponsor. The contract between GDA and Mid-Ohio ESC requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**E. Cash**

All monies received by GDA are deposited in a demand deposit account. For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the GDA are presented on the financial statements as cash equivalents. The GDA did not have any investments during fiscal year 2017.

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. GDA maintains a capitalization threshold of \$500 for non-technical and non-audiovisual equipment and \$200 for technical and audiovisual equipment. GDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of GDA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of GDA. All revenues and expenses not meeting this definition are reported as non-operating.

**H. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets 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 GDA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**I. Intergovernmental Revenue**

GDA 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 are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which GDA must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to GDA on a reimbursement basis.

GDA participates in various programs through the Ohio Department of Education. These include the Title I, IDEA Part B and Improving Teacher Quality.

**J. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by GDA and the expense is recorded when used. GDA has prepaid items for insurance of \$9,697 at June 30, 2017.

**K. Estimates**

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

**L. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2017, GDA has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of GDA.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of GDA.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of GDA.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of GDA.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all GDA deposits was \$1,368,472. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,219,842 of GDA's bank balance of \$1,469,842 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, GDA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of GDA. GDA has no deposit policy for custodial credit risk beyond the requirements of State statute.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2017, consisted of accounts receivable and intergovernmental receivables arising from various sources. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<b>Receivables</b>	<u>Amount</u>
Accounts:	\$ 12,370
Intergovernmental:	
BWC Refund	5,863
Due from Ashland University	59
Improving Teacher Quality	<u>46,815</u>
Total receivables	<u>\$ 65,107</u>

**NOTE 6 - CAPITAL ASSETS**

A summary of capital assets at June 30, 2017 follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/17</u>
Furniture and equipment	\$ 916,552	\$ 66,772	\$ -	\$ 983,324
Less: accumulated depreciation	<u>(787,230)</u>	<u>(65,143)</u>	<u>-</u>	<u>(852,373)</u>
Net capital position	<u>\$ 129,322</u>	<u>\$ 1,629</u>	<u>\$ -</u>	<u>\$ 130,951</u>

**NOTE 7 - RISK MANAGEMENT**

GDA 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. GDA was named as an additional insured party on Mid-Ohio Educational Service Center, the Sponsor, insurance policy with Ohio Casualty Insurance Company for general liability insurance and property insurance from July 1, 2007 through December 9, 2008. On December 9, 2008, GDA began coverage under its own policy. GDA transfers the entire risk of loss, less any deductible, to the commercial carrier. The following limits and deductibles are in aggregate for GDA. The Liberty Mutual Insurance Company provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence with a \$2,000,000 annual aggregate with additional excess liability/commercial umbrella coverage up to \$2,000,000 each occurrence with a \$3,000,000 annual aggregate.

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

The Liberty Mutual Insurance Company provides property, crime, and equipment breakdown insurance coverage. The property coverage insures up to a specific limit per location. Each location is insured to the value of property located at that location subject of a \$1,000 deductible; commercial crime covers up to \$25,000.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - 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 GDA’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.

The Ohio Revised Code limits GDA’s obligation for this liability to annually required payments. GDA cannot control benefit terms or the manner in which pensions are financed; however, GDA 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 pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –GDA 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](http://www.ohsers.org) under Employers/Audit Resources.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 GDA 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, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

GDA’s contractually required contribution to SERS was \$99,135 for fiscal year 2017. Of this amount, \$3,533 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –GDA 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](http://www.strsoh.org).



**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. GDA was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

GDA's contractually required contribution to STRS was \$183,397 for fiscal year 2017. Of this amount, \$17,654 is reported as pension and postemployment benefits payable.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GDA's proportion of the net pension liability was based on GDA'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.01841990%	0.00938652%	
Proportion of the net pension liability current measurement date	<u>0.01744510%</u>	<u>0.01099318%</u>	
Change in proportionate share	<u>-0.00097480%</u>	<u>0.00160666%</u>	
Proportionate share of the net pension liability	\$ 1,276,820	\$ 3,679,749	\$ 4,956,569
Pension expense	\$ (127,301)	\$ 245,496	\$ 118,195

At June 30, 2017, GDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 17,221	\$ 148,678	\$ 165,899
Net difference between projected and actual earnings on pension plan investments	105,320	305,517	410,837
Changes of assumptions	85,235	-	85,235
Difference between GDA contributions and proportionate share of contributions/ change in proportionate share	-	366,690	366,690
GDA contributions subsequent to the measurement date	<u>99,135</u>	<u>183,397</u>	<u>282,532</u>
Total deferred outflows of resources	<u>\$ 306,911</u>	<u>\$ 1,004,282</u>	<u>\$ 1,311,193</u>
<b>Deferred inflows of resources</b>			
Difference between GDA contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 393,406</u>	<u>\$ 220,962</u>	<u>\$ 614,368</u>
Total deferred inflows of resources	<u>\$ 393,406</u>	<u>\$ 220,962</u>	<u>\$ 614,368</u>

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$282,532 reported as deferred outflows of resources related to pension resulting from GDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ (128,684)	\$ 89,933	\$ (38,751)
2019	(128,761)	89,931	(38,830)
2020	41,539	207,164	248,703
2021	<u>30,276</u>	<u>212,895</u>	<u>243,171</u>
Total	<u>\$ (185,630)</u>	<u>\$ 599,923</u>	<u>\$ 414,293</u>

***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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

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

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of GDA'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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
GDA's proportionate share of the net pension liability	\$ 1,690,431	\$ 1,276,820	\$ 930,611

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, 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, 2016, 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
<b>Total</b>	<b>100.00 %</b>	<b>7.61 %</b>

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

**Sensitivity of GDA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents GDA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what GDA'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%)
GDA's proportionate share of the net pension liability	\$ 4,890,087	\$ 3,679,749	\$ 2,658,757

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to GDA's NPL is expected to be significant.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - GDA 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](http://www.ohsers.org) under Employers/Audit Resources.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

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, 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 2017, none of the employer contribution 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 2017, this amount was \$23,500. 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 2017, GDA's surcharge obligation was \$4,598.

GDA's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$4,598, \$1,514, and \$10,867, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

**B. State Teachers Retirement System**

Plan Description – GDA 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](http://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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. GDA's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The GDA received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of GDA at June 30, 2017.

**B. State Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017 and has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding. During fiscal year 2018, the Academy will repay ODE through a reduction in its foundation payments to correct a \$184,759 overpayment from fiscal year 2017. This is included in intergovernmental payable on the financial statements.

**C. Litigation**

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

**NOTE 11 - SERVICE CONTRACT**

Mid-Ohio ESC and GDA entered into a service contract agreement. This agreement states that GDA may contract for various services from the Mid-Ohio ESC and reimburse the Board of Governors for these services. Mid-Ohio ESC agreed to provide the requested services and receive reimbursement from GDA pursuant to Ohio Revised Code Section 3317.11.

Mid-Ohio ESC's Board of Governors agreed to provide on an as-needed, or available basis, the following services for GDA:

1. Instructional services for all grade levels.
2. Collaboration for staff development programs for certified and non-certified staff.
3. Planning and consultative services for curriculum development.
4. Psychological services as needed for re-evaluations and initial multi-factored evaluations.



**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 11 - SERVICE CONTRACT - (Continued)**

5. Fiscal services including payroll, retirement, and insurance.
6. Student services including E.M.I.S., Nursing, Speech, Guidance, and Therapy.
7. Classroom space and administrative services.
8. Custodial services.
9. Supervision/Director services.
10. Technology support.

Mid-Ohio ESC acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Governors may enter into employment contracts with each certified teacher/administrator/aid whose services are to be shared with Mid-Ohio ESC. Other services may be provided based on mutual consent of both GDA and Mid-Ohio ESC.

**NOTE 12 - CONTRACT SERVICES**

Contract services include the following:

Professional and technical services	\$ 117,881
Property services	285,157
Travel mileage/meeting expense	32,341
Communications	236,134
Utilities	7,241
Connected craft or trade	460
Tuition and other similar payments	22,207
Pupil transportation	9,485
Other	<u>546,869</u>
Total	<u>\$ 1,257,775</u>

**NOTE 13 - RELATED PARTY TRANSACTIONS**

During 2016, GDA and Mid-Ohio ESC renewed their sponsorship agreement through June 30, 2020. In fiscal year 2017, payments were made by GDA to Mid-Ohio ESC totaling \$454,545 for services provided by Mid-Ohio ESC to GDA.

**NOTE 14 - OPERATING LEASE AGREEMENT**

GDA has entered into a lease agreement with Mid-Ohio ESC for space to house GDA. Mid-Ohio ESC leases 8,448 square feet at a cost of \$7,040 per month (or \$84,480 annually) from GDA. The lease was updated for the period August 17, 2016 through June 30, 2020 to include an additional 513 square feet at an additional cost of \$213.75 per month.

**NOTE 15 - FISCAL AGENT ACTIVITIES**

Effective August 1, 2010, the GDA became fiscal agent for the North Central Jobs for Ohio's Graduates program (JOG). As fiscal agent, GDA processes all receipts and expenses of the JOG program. Revenues and expenses associated with the GDA's fiscal agent relationship for the JOG program have been recorded on GDA's financial statements as non-operating revenues and expenses. At June 30, 2017, a \$10,600 receivable has been recorded for services billed by the GDA as fiscal agent for JOG program, but not yet received from the participating school districts.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE GDA'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GDA's proportion of the net pension liability	0.01744510%	0.01841990%	0.03197900%	0.03197900%
GDA's proportionate share of the net pension liability	\$ 1,276,820	\$ 1,051,057	\$ 1,618,439	\$ 1,901,688
GDA's covered-employee payroll	\$ 560,014	\$ 554,537	\$ 929,257	\$ 731,387
GDA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	228.00%	189.54%	174.16%	260.01%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE GDA'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GDA's proportion of the net pension liability	0.01099318%	0.00938652%	0.01069368%	0.01069368%
GDA's proportionate share of the net pension liability	\$ 3,679,749	\$ 2,594,160	\$ 2,601,073	\$ 3,098,381
GDA's covered-employee payroll	\$ 1,175,529	\$ 1,018,157	\$ 1,092,600	\$ 924,169
GDA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	313.03%	254.79%	238.06%	335.26%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF GDA'S CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 99,135	\$ 78,402	\$ 73,088	\$ 128,795
Contributions in relation to the contractually required contribution	<u>(99,135)</u>	<u>(78,402)</u>	<u>(73,088)</u>	<u>(128,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GDA's covered-employee payroll	\$ 708,107	\$ 560,014	\$ 554,537	\$ 929,257
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

Note: Information prior to 2009 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 101,224	\$ 100,850	\$ 89,822	\$ 38,391	\$ 20,091
<u>(101,224)</u>	<u>(100,850)</u>	<u>(89,822)</u>	<u>(38,391)</u>	<u>(20,091)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 731,387	\$ 749,814	\$ 714,574	\$ 283,538	\$ 204,177
13.84%	13.45%	12.57%	13.54%	9.84%

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF GDA'S CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST NINE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 183,397	\$ 164,574	\$ 142,542	\$ 142,038
Contributions in relation to the contractually required contribution	<u>(183,397)</u>	<u>(164,574)</u>	<u>(142,542)</u>	<u>(142,038)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GDA's covered-employee payroll	\$ 1,309,979	\$ 1,175,529	\$ 1,018,157	\$ 1,092,600
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

Note: Information prior to 2009 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 120,142	\$ 118,221	\$ 126,663	\$ 107,910	\$ 75,131
<u>(120,142)</u>	<u>(118,221)</u>	<u>(126,663)</u>	<u>(107,910)</u>	<u>(75,131)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 924,169	\$ 909,392	\$ 974,331	\$ 830,077	\$ 577,931
13.00%	13.00%	13.00%	13.00%	13.00%

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.





# Dave Yost • Auditor of State

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

GOAL Digital Academy  
Richland County  
890 West 4<sup>th</sup> Street, Suite 400  
Mansfield, Ohio 44906

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 GOAL Digital Academy, Richland County, Ohio, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 19, 2018.

### ***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 2017-001 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***Academy's Response to Finding***

The Academy's response to the finding identified in our audit is described in the accompanying corrective action plan. 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**  
Auditor of State  
Columbus, Ohio

September 19, 2018

GOAL DIGITAL ACADEMY  
RICHLAND COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017

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

FINDING NUMBER 2017-001

**Quality and Reliability of Learning Opportunities Documentation – Material Noncompliance / Significant Deficiency**

**Ohio Rev. Code § 3314.08(C)** provides the formula upon which community schools are funded on a full-time equivalency basis. In addition, **§ 3314.08(H)** requires the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The processes for calculating full-time equivalency and any enrollment for less than the equivalent of a full school year used by the Ohio Department of Education (ODE) under Ohio Rev. Code § 3314.08(H) are reflected in its 2017 FTE Review Manual available on its website in order for the Academy to receive accurate funding under Ohio Rev. Code § 3314.08(C), the Academy should follow the procedures outlined in this 2017 FTE Review Manual.

**Ohio Rev. Code § 3314.08(H)(3)** states, in part, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours.

In the case, *Electronic Classroom of Tomorrow v. Ohio Dept. of Edn.*, Slip Opinion No. 2018-Ohio-3126, the Ohio Supreme Court ruled “Ohio Department of Education has authority under R.C. 3314.08 to base funding of an e-school on the duration of student participation – E-schools may be required to provide data documenting the duration of a student’s participation.” ODE has established student participation criteria and documentation requirements for electronic community schools in their FTE Review Manual. Furthermore, **Ohio Rev. Code § 3314.27** states, each internet- or computer-based community school shall keep an accurate record of each individual student's participation in learning opportunities each day. The record shall be kept in such a manner that the information contained within it easily can be submitted to the department of education, upon request by the department or the auditor of state.

Per the **FY17 FTE Review Manual**:

- In order to avoid significant adjustments at the end of the year or during FTE Review, schools should estimate the student’s “percent of time attended” upon enrollment, and document and follow a procedure to update the percent of time attended periodically. E-schools only receive credit for documented learning opportunities; missed days (both excused and unexcused absences) or assignments do not count as funded hours. A final adjustment will be made at the end of the school year to precisely reflect the student’s documented hours of participation in learning opportunities.” Ohio Department of Education (ODE) will continue to adjust the FTE used for the funding formula as the Academy updates its information throughout the year. At the close of the Academy’s fiscal year end, ODE will reconcile the Final FTE Foundation payments and determine whether the Academy has a corresponding receivable from or payable due to ODE based upon the accumulation of student FTE’s throughout the year. It is critical that schools accurately and timely report their student data to ODE in order for this reconciliation to be performed.
- ESchools may have systems that track learning opportunity participation that take place within the school’s online system. If an eSchool’s online system has this capability, then the school must produce Excel spreadsheets showing the daily/weekly/monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and were tracked by the eSchool’s system.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2017  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Quality and Reliability of Learning Opportunities Documentation – Material Noncompliance / Significant Deficiency – (Continued)**

- Participation in learning opportunities does not include days on which only the following activities occur: enrollment or orientation activities.
- The Manual also provides further guidance regarding the documentation of learning opportunities that are not tracked by the school's online system. Guidance is provided for what documentation requirements exist as well as an "Alternative Learning Opportunity Documentation Log" which schools may utilize to document such learning opportunities.

For the fiscal year ending June 30, 2017, the following issues were noted during testing of ten students selected for review:

- The Academy granted all students three hours for orientation.
- The Academy generated reports from their learning management system (LMS), Canvas, which presented a timestamp of the last time a student viewed a course. The Academy applied a formula in Excel to quantify the number of hours of learning opportunities for each instance that a timestamp was generated by the LMS. The formula applied worked as follows:
  - The list of timestamps for the last time a student viewed a course was ordered sequentially with the formula being applied to groups of two sequential timestamps;
  - If the date of the first timestamp did not match the date of the second timestamp, that is the student was shown as last being active within the LMS on two separate days, the Academy's formula granted the student three hours of participation;
  - If the date of the first timestamp matched the date of the second timestamp, that is the student was shown as last being active twice within the LMS on the same day, the Academy's formula either granted the student three hours of participation or zero hours of participation. The formula provided students with three hours of participation if the difference between the two timestamps was at least three hours and 25 minutes, though per the Academy this was intended to be set at two hours and 45 minutes. If the difference between the two timestamps was less than three hours and 25 minutes students received zero hours of participation.
- As noted above, the LMS reports did not show log ins, only times a student last viewed a course within the LMS. As such, no definite amount of duration could be calculated for each instance, rather the Academy applied a formula described above. This method grants students either three or zero hours of participation regardless of how much time the student actually spent participating in learning opportunities. Per the formula applied by the Academy, a student could have logged into the LMS for a minute each day and been granted three hours because the LMS reports would show differing dates.
- The Academy inaccurately reported non-classroom offline hours for career-based intervention and developmental disabilities as online hours. Non-classroom offline hours were reported in aggregate without a detailed breakdown of hours.
- Multiple instances of overlap of online time between the LMS and non-classroom offline activity with no reconciliation of these hours to reduce duplicative duration.
- Instances where combined reported hours between the LMS and non-classroom offline hours exceeded the ten hour maximum allowed within a twenty four hour period.

**GOAL DIGITAL ACADEMY  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2017  
(Continued)**

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

**Quality and Reliability of Learning Opportunities Documentation – Material Noncompliance / Significant Deficiency – (Continued)**

Based on the above listed items, the Academy did not have sufficient procedures in place to capture durational time and could not provide sufficient, quality detail in which the amount of educational learning opportunities participated in by any one student could be relied upon. The Academy was also granting students daily participation of three hours within the LMS as long as the student logged in for that day, regardless of the actual time spent in the system.

Failure to accurately capture durational time, provide detailed supporting documentation, and properly reduce students' FTE for the amount of time they are actively participating in educational activities may result in the Academy receiving more funding than they are entitled to under State law.

We recommend the Academy develop policies and procedures in order to identify and compile durational data, as well as properly reducing durational data that is duplicative, in excess of ten hours per 24 hour period, or potentially excessive idle time. Proper policies and procedures may help ensure the Academy reports the correct number of FTEs and that the State provides the correct amount of funding.

ODE receives a copy of this audit report. As a result of this issue they may subsequently perform an FTE review over future years, potentially impacting school funding.

**Officials' Response:**

See Corrective Action Plan.



# GOAL

## Digital Academy

*"Keep your eye on the goal and you can achieve it."*

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	<p>* - Denotes new to this year 2018-19 **- Denotes new to next year 2019-20</p> <p>GOAL Digital Academy is continually developing a process to provide current/accurate student data (learning activities) to our staff and state. The processes listed below include tools used this year and new procedures for the 2019-20 school year. The school will more clearly outline policies and procedures in regards to time documentation. We will continue to work with the Learning Management System provider to ensure the most accurate and robust data is produced identifying FTE's in compliance with the Ohio Department of Education requirements. Although we understand that documenting time online is important, our main focus is not on capturing keystrokes on a computer or seat time in a classroom but rather the total educational experience. With all of the various devices (laptops, desktops, tablets, smartphones etc - both school and personally owned) it unreasonable to assume that there is a mechanism that could capture every minute of online activity. With that in mind, GOAL uses a number of resources to ensure our students have numerous learning opportunities that can be captured.</p>		

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2017**  
**(Continued)**

	<p>GOAL will more clearly outline policies and procedures in regards to time documentation. Further steps will be taken to ensure accurate data is produced to identify FTEs in compliance with the Ohio Department of Education Requirements.</p> <p><b>Educational Advocates</b> - Each advocate is assigned students based on one of our 7 learning lab locations (and 4 affiliate learning labs). They are responsible for communication with students, parents, teachers and administration as well as follow up for all of their students through email, phone calls, in person meetings etc. This includes but is not limited to the following resources and reports: Weekly Canvas Student Activity Log review (how often was each student accessing each course every day), Weekly Credit Recovery A+ hourly review (time on task within their credit recovery course), Dropout Detective (Integrates with Canvas Data - the ability to see all classes and all grades on one screen, personalized dashboards so advocates can monitor their students on a daily basis. Allows advocates/staff to proactively manage retention by alerting them with behaviors and patterns that lead to high student attrition), Weekly Student Activity Log review (SAS - offline and online hours database records), and Weekly Attendance report (SAS) Review (Log which displays what students were doing everyday). In addition for Elementary - weekly iReady, iMath, Edgenuity, MobyMax, Brainpop/Brainpop Jr, and Edutyping reports (see descriptions below - elementary time on task). They will also work closely with our Attendance Officer on a weekly basis.</p> <p><b>Intervention Specialist</b> - (description here). Specific to our special education population, the intervention specialist has access to all of the reporting that the educational advocates have but works more 1-on-1 with the student and closely with the teacher and actual learning process</p>	<p>August 2018</p> <p>August 2018</p> <p>August 2018</p>	<p>Supervised by all administrators at GOAL</p> <p>Special Education Director, – Directly oversees Intervention Specialist</p>
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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2017**  
**(Continued)**

	<p>Ongoing development of our Student Achievement System (SAS) for documenting and reporting the total learning experience for all students. Responsible for integration with ProgressBook (state SIS - Student Information System) and Canvas (LMS - Learning Management System). Provides meaningful and current information to all staff at all times.</p> <p>GOAL will run daily and weekly reports from all applications. Stores and retains all student data from all of the applications and programs that GOAL utilizes. Data is backed up daily offsite using MozyPro, CloudAlly, NCOCC (ITC - host and backup virtual servers for file storage (OnBase) and Google. **Provides reporting to key stakeholders when needed / required.</p> <p><b>*Activity Logs</b> - daily logs that the students complete which record offline and online activity. **New to 2018-19 we will be integrating our attendance with the activity. This is part of our SAS and is accessible to all students on any and all devices. Also new to 2018-19 will be stations in each lab for students to log activity within this same activity log. Students are not able to log more than 10 hrs per day, create future logs or past logs over 24 hours (it is possible for a student to forget their log for the day and we do allow them to go back 24 hrs to complete that record).</p> <p><b>For Elementary -</b></p> <p><u>iReady and iMath</u> - weekly/monthly report showing classroom instructional usage. Information within the report will show student time on task or the number of minutes a student spent in online lessons for the week or average for a 4 week period.</p>	<p>September 2018 – ongoing</p> <p>On-going development 2018-2019</p> <p>ongoing</p> <p>August 2018 – K-8 teachers</p>	<p>Technology Director &amp; EMIS Office Manager</p> <p>Technology Director oversees team</p> <p>Technology Director will oversee – various staff are responsible for different components.</p> <p>K-8 Director – Kelli Fisher oversees</p>
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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2017**  
**(Continued)**

	<p><u>Edgenuity</u> (Odyssey by Compass Learning) - The Attendance Report allows you to view session attendance data for students. This report is comprised of different report types: • <b>Completed Session Times</b> lists accumulated session time for all successful logins followed by a successful logout. • <b>Incomplete Sessions</b> lists all successful logins without a successful logout. • <b>All Sessions</b> lists all logins regardless of successful logouts. • <b>No Sessions</b> lists all users who have never successfully logged in. • <b>Session Times</b> lists login time and session time for every session. Sessions lasting less than one second display a session duration of N/A. <b>Incomplete sessions</b> display N/A in the Session Duration column.</p> <p><u>MobyMax</u> - Administrative/Teacher Reports for each student either daily, weekly or quarterly giving the time spent per subject or total of all subjects assigned by the instructor.</p> <p><u>Brainpop/Brainpop Jr.</u> - Viewing student data can be accessed for each student with the following information: Date of last login, Total number of logins, List of classes, Teacher for each class.</p> <p><u>Edtyping</u> - reporting of weekly, monthly etc. to gather data of time spent using the typing program for our 5-6-7 grade students.</p>		
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# Dave Yost • Auditor of State

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL**

**RICHLAND 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  
NOVEMBER 15, 2018**