

**FINDLAY DIGITAL ACADEMY**  
**(A Component Unit of Findlay City School District)**  
**HANCOCK COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**  
**(AUDITED)**

**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**



# OHIO AUDITOR OF STATE KEITH FABER



Board of Directors  
Findlay Digital Academy  
1219 W Main Cross St, Suite 101  
Findlay, OH 45840-3377

We have reviewed the *Independent Auditor's Report* of the Findlay Digital Academy, Hancock County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Findlay Digital Academy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 13, 2018

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**FINDLAY DIGITAL ACADEMY**  
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**HANCOCK COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Findlay Digital Academy  
Hancock County  
1219 West Main Cross  
Findlay, Ohio 45840

To the Board of Directors:

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

We have audited the accompanying financial statements of the Findlay Digital Academy, Hancock County, Ohio, a component unit of the Findlay City School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Findlay Digital 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 Findlay Digital 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 Findlay Digital 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 the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Findlay Digital Academy, Hancock County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the fiscal 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*, 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 December 14, 2018, on our consideration of the Findlay Digital 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 Findlay Digital Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 14, 2018



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The management's discussion and analysis of the Findlay Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position was \$721,217 at June 30, 2018. For fiscal year 2018, net position decreased \$728,463, or 50.25%, under the net position at June 30, 2017.
- The Academy had operating revenues of \$317,907, operating expenses of \$1,166,741 and non-operating revenues of \$120,371 for fiscal year 2018. Total change in net position for the fiscal year was a decrease of \$728,463.

**Using the Basic Financial Statements**

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

**Reporting the Academy's Financial Activities**

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

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 pages 10-20 of this report.

**FINDLAY DIGITAL ACADEMY  
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HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The table below provides a summary of the Academy's net position at June 30, 2018 and June 30, 2017.

	2018	2017
<b><u>Assets</u></b>		
Current assets	\$ 698,152	\$ 711,926
Noncurrent assets:		
Investments	634,846	842,591
Capital assets, net	94,647	140,486
Total assets	1,427,645	1,695,003
<b><u>Liabilities</u></b>		
Current liabilities	128,052	245,323
Non-current liabilities	578,376	-
Total liabilities	706,428	245,323
<b><u>Net Position</u></b>		
Investment in capital assets	94,647	140,486
Restricted	460	851
Unrestricted	626,110	1,308,343
Total net position	\$ 721,217	\$ 1,449,680

Current assets decreased and noncurrent assets decreased due to investments that matured during the fiscal year and investments that will mature during the next fiscal year. Intergovernmental receivables increased as a result of the full-time equivalency calculations. Current liabilities decreased due to decreases in amounts owed to the primary government for student services. Non-current liabilities increased as a result of the full-time equivalency settlement. As a result of the 2016 settlement, the Academy owed the Ohio Department of Education \$578,376.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the Academy's net position totaled \$721,217. At year-end, capital assets represented 6.63% 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.

**FINDLAY DIGITAL ACADEMY  
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HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The table below shows the changes in net position for fiscal year 2018 and 2017.

**Change in Net Position**

	<u>2018</u>	<u>2017</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 312,953	\$ 992,252
Other	<u>4,954</u>	<u>2,679</u>
Total operating revenues	<u>317,907</u>	<u>994,931</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	1,083,875	1,138,801
Materials and supplies	26,211	39,474
Depreciation	<u>56,655</u>	<u>53,820</u>
Total operating expenses	<u>1,166,741</u>	<u>1,232,095</u>
Operating income (loss)	<u>(848,834)</u>	<u>(237,164)</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Grants and subsidies	108,716	91,660
Interest revenue	11,655	1,694
Loss on disposal of capital assets	<u>-</u>	<u>(6,414)</u>
Total non-operating revenues (expenses)	<u>120,371</u>	<u>86,940</u>
Change in net position	(728,463)	(150,224)
Net position at beginning of year	<u>1,449,680</u>	<u>1,599,904</u>
Net position at end of year	<u>\$ 721,217</u>	<u>\$ 1,449,680</u>

Fiscal year 2018 State foundation decreased from fiscal year 2017 due to decreases in full-time equivalent students as calculated by the Academy and due to the 2016 full-time equivalent settlement. Other operating revenues increased primarily due to increases in miscellaneous revenues. Operating expenses decreased primarily due to decreases in purchased services. The Academy's expects to pay the Sponsor less for excess costs at fiscal year-end compared to the prior fiscal year. The reduction is the result of a credit from prior year excess costs which were over paid. It's the Academy's policy to hold investments to maturity. Interest receipts were \$11,655 and \$1,694 for fiscal year 2018 and 2017, respectively.

**Capital Assets**

At June 30, 2018, the Academy had \$94,647 invested in furniture and equipment, net of accumulated depreciation, which represents a decrease of \$45,839, or 32.63%, from the June 30, 2017 balance of \$140,486.

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

**FINDLAY DIGITAL ACADEMY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Debt Administration**

At June 30, 2018, the Academy had no outstanding debt.

**Current Financial Related Activities**

The Academy began in January 2005 with TRECA providing the Standardized Digital Curriculum. During fiscal year 2017, META (formally TRECA) continued providing Standardize Digital Curriculum for the students enrolled at the Academy. The Academy is an internet-based educational delivery system designed for student's grades 9-12 who live in Findlay City School District, Arcadia, Arlington, Liberty Benton, Riverdale, Van Buren and Vanlue. The Academy offers an on-line curriculum to any student whose needs, desires, or circumstances would best be served by a non-traditional education model. Academic Coaches are available and contracted through the Findlay City School District if the student so desires. Also provided, is a secure computer lab for the students and coaches for lessons and testing throughout the school year.

**Contacting the Academy's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
JUNE 30, 2018

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 391,521
Investments . . . . .	299,855
Receivables:	
Accounts . . . . .	3,100
Accrued interest. . . . .	3,424
Intergovernmental. . . . .	252
Total current assets . . . . .	698,152
Non-current assets:	
Investments . . . . .	634,846
Depreciable capital assets, net . . . . .	94,647
Total non-current assets. . . . .	729,493
Total assets. . . . .	1,427,645
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	242
Intergovernmental payable . . . . .	110,312
Due to primary government . . . . .	17,498
Total current liabilities . . . . .	128,052
Non-current liabilities:	
Intergovernmental payable . . . . .	578,376
Total liabilities . . . . .	706,428
<b>Net position:</b>	
Investment in capital assets. . . . .	94,647
Restricted for locally funded programs. . . . .	460
Unrestricted. . . . .	626,110
Total net position. . . . .	\$ 721,217

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 312,953
Other . . . . .	4,954
Total operating revenues . . . . .	<u>317,907</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	1,083,875
Materials and supplies . . . . .	26,211
Depreciation . . . . .	56,655
Total operating expenses. . . . .	<u>1,166,741</u>
 Operating loss. . . . .	 <u>(848,834)</u>
 <b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	108,716
Interest revenue . . . . .	11,655
Total non-operating revenues. . . . .	<u>120,371</u>
 Change in net position . . . . .	 (728,463)
 <b>Net position at beginning of year. . . . .</b>	 <u>1,449,680</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 721,217</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINDLAY DIGITAL ACADEMY  
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STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 857,231
Cash received from other operations . . . . .	1,854
Cash payments for contractual services . . . . .	(1,163,057)
Cash payments for materials and supplies . . . . .	<u>(25,969)</u>
Net cash used in operating activities . . . . .	<u>(329,941)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	<u>108,464</u>
Net cash provided by noncapital financing activities. . . . .	<u>108,464</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	<u>(10,816)</u>
Net cash used in capital and related financing activities. . . . .	<u>(10,816)</u>
<b>Cash flows from investing activities:</b>	
Cash used for purchase of investments . . . . .	(100,000)
Cash received from sale of investments. . . . .	150,000
Interest received . . . . .	18,968
Net cash provided by investing activities . . . . .	<u>68,968</u>
Net increase in cash and cash cash equivalents . . . . .	(163,325)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>554,846</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 391,521</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (848,834)
Adjustments:	
Depreciation . . . . .	56,655
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(3,100)
Decrease in prepayments . . . . .	4,233
(Decrease) in accounts payable. . . . .	(1,498)
Increase in intergovernmental payable. . . . .	539,374
(Decrease) in due to primary government . . . . .	<u>(76,771)</u>
Net cash used in operating activities . . . . .	<u>\$ (329,941)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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

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

The Academy is an innovative program operated as a cooperative effort between the Digital Academy Board of Directors and the Findlay City School District (“FCSD”). The Academy was approved for operation under a contract with the Findlay City School District (the “Sponsor”) commencing on April 1, 2004 and expiring on June 30, 2008. Three additional contracts have been signed. The most recent contract was signed in June 2018 and expires June 30, 2021. The Academy enrolled its first students in January 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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

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

The Academy has entered into a purchased services agreement contract with the META Solutions for technology and services. See Note 11 for detail on the Academy’s purchased services agreement contract with META Solutions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position; a statement of revenue, expenses, and changes in net position; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

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

**FINDLAY DIGITAL ACADEMY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**E. Cash and Investments**

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

During fiscal year 2018, investments were limited to Federal Home Loan Mortgage Corporation (FHLMC) bonds, Federal National Mortgage Association (FNMA) notes, negotiable certificates of deposit (negotiable CD’s), and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

During fiscal year 2018, the Academy invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Academy measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

For presentation on the financial statements, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. Investments are further classified on the statement of net position as either current or non-current. Current investments have a maturity date in the subsequent fiscal year while non-current investments have a maturity date beyond the subsequent fiscal year.

At June 30, 2018, investments are reported at fair value. The fluctuation in the fair value of investments is reported as a component of interest revenue. From June 30, 2017 to June 30, 2018, the fair value of investments decreased \$7,435 and accrued interest receivable on investments increased \$122. Interest revenue reported on the statement of revenue, expenses and changes in net position was \$11,655 while interest receipts reported on the statements of cash flows was \$18,968. Although the fair value of investments can fluctuate, it’s the Academy’s policy to hold investments till maturity.

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

**FINDLAY DIGITAL ACADEMY  
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HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**G. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years.

**H. Net Position**

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

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

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs which are incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**J. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, the Ohio Public Connectivity grant, the IDEA Part B grant, the Title I-A Improving Basic Programs grant, Title II-A Supporting Effective Instruction grant and the Title IV-A Student Support and Academic Enrichment grant. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for fiscal year 2018 school year, excluding all other State and Federal grants, totaled \$312,953.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. State and Federal grants revenue for fiscal year 2018 was \$108,716.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**K. Estimates**

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

**L. Fair Value**

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

**NOTE 3 - CHANGES IN ACCOUNTING POLICIES**

For fiscal year 2018, the Academy has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Academy.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Academy.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Academy.

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HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

*Deposits:* At June 30, 2018, the carrying amount of Academy deposits was \$19,438 and the bank balance of Academy deposits was \$152,811. The entire bank balance of \$152,811 was covered by the FDIC. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

*Investments:* At June 30, 2018, the Academy had the following investment and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
Negotiable CD's	\$ 521,417	\$ 299,855	\$ -	\$ 124,164	\$ -	\$ 97,398
FHLMC Notes	99,523	-	-	-	-	99,523
FNMA Notes	313,761	-	-	-	170,955	142,806
Amortized Cost:						
STAR Ohio	372,083	372,083	-	-	-	-
Total	<u>\$ 1,306,784</u>	<u>\$ 671,938</u>	<u>\$ -</u>	<u>\$ 124,164</u>	<u>\$ 170,955</u>	<u>\$ 339,727</u>

The weighted average maturity of investments is 0.95 years. Investments in negotiable CD's and federal agency securities can be sold prior to maturity on the secondary market if immediate cash flow is needed.

The Academy's investments in federal agency securities (FHLMC Notes, FNMA Notes) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

*Credit Risk* - The Academy's investments in federal agency securities were rated AA+ and Aaa by Standards & Poor's and Moody's Investor Services, respectively. The Academy's investment in STAR Ohio obtained an AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The negotiable certificates of deposit were fully covered by the FDIC. The Academy's investment policy does not specifically address credit risk beyond requiring the Academy to only invest in securities authorized by State statute.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent. The Academy's investment policy does not specifically address custodial risk beyond the requirement in State statute.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
Fair Value:		
Negotiable CD's	\$ 521,417	39.90
FHLMC Notes	99,523	7.62
FNMA Notes	313,761	24.01
Amortized Cost:		
STAR Ohio	<u>372,083</u>	<u>28.47</u>
Total	<u>\$ 1,306,784</u>	<u>100.00</u>

*Reconciliation of Cash and Investments to the Statement of Net Position*

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 19,438
Investments	<u>1,306,784</u>
Total	<u>\$ 1,326,222</u>

<u>Cash and investments per statement of net position</u>	
Cash and cash equivalents	\$ 391,521
Investments - current	299,855
Investments - noncurrent	<u>634,846</u>
Total	<u>\$ 1,326,222</u>



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**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2018 consisted of accounts receivable in the amount of \$3,100, accrued interest in the amount of \$3,424 and an intergovernmental receivable in the amount of \$252. These receivables are expected to be collected in the subsequent year.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018 follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 303,877	\$ 10,816	\$ -	\$ 314,693
Less: accumulated depreciation	<u>(163,391)</u>	<u>(56,655)</u>	<u>-</u>	<u>(220,046)</u>
Capital assets, net	<u>\$ 140,486</u>	<u>\$ (45,839)</u>	<u>\$ -</u>	<u>\$ 94,647</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

Long-term obligations at June 30, 2018 consist of \$578,376 owed to the Ohio Department of Education as a result of the full-time equivalent (FTE) enrollment review for fiscal year 2016. This amount will be repaid over a five-year period by reducing the Academy's Foundation revenue by \$9,640 monthly. The reductions will begin with the July 1, 2019 foundation payment. See Note 11.B for more detail on the FTE review.

During fiscal year 2018, the Academy had the following activity in long-term obligations:

	<u>Balance</u> <u>06/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/2018</u>	<u>Due in</u> <u>One Year</u>
Intergovernmental payable	<u>\$ -</u>	<u>\$ 578,376</u>	<u>\$ -</u>	<u>\$ 578,376</u>	<u>\$ -</u>

**NOTE 8 - RISK MANAGEMENT**

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

Insurance coverage for the Academy follows:

Property:	\$ 204,448,316
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Educators Legal Liability	3,000,000

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**NOTE 8 - RISK MANAGEMENT - (Continued)**

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

**NOTE 9 - PURCHASED SERVICE EXPENSES**

For fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	\$ 1,007,864
Property services	58,029
Travel mileage/meeting expenses	8,814
Tuition and similar payments	<u>9,168</u>
Total	<u>\$ 1,083,875</u>

**NOTE 10 - PAYMENTS TO SPONSOR / RELATED PARTY TRANSACTION**

The Academy has entered into a Sponsorship Contract with the FCSD, its Sponsor, as described in Note 1. The Sponsorship Contract states that the FCSD may direct its Treasurer to serve as the Academy's fiscal officer. However, for fiscal year 2018, the Academy contracted its Treasurer functions from the Hancock County Educational Service Center. The Treasurer of the Academy performs the following functions for the Academy:

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

In addition to the Treasurer, the Academy contracts through the Hancock County Educational Service Center the services of the Executive Director through July 31, 2018, Academy Coordinator, Administrative Assistant and the EMIS Coordinator. During fiscal year 2018 there was a transition of EMIS Coordinators and for a couple months the EMIS Coordinator was contracted with Warren County ESC to fill the gap.

The Sponsor contracts out all employees to the Academy, except as mentioned above, including the transition of the New Executive Director.

During the year ended June 30, 2018, the Academy incurred \$633,505 in expenses payable to its Sponsor, the FCSD, for:

Salaries and benefits	\$ 475,837
Other (computers/rent/supplies)	9,165
Millstream Career Center	125,099
Sponsor fees	<u>23,404</u>
Total	<u>\$ 633,505</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 11 - CONTINGENCIES**

**A. Grants**

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

**B. State Funding**

Academy 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. As of the date of this report, ODE has performed such a review on the Academy for fiscal year 2018.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

In addition, the Academy's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

**C. Litigation**

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

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HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 - CONTRACT WITH META**

The Academy entered into a contract on July 1, 2017, for fiscal year 2018, with META. Under the contract, the following terms were agreed upon:

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

For fiscal year 2018, \$63,641 was paid to META. To obtain META's audited June 30, 2018 financial statements please contact Jessica Wake, Treasurer, at 100 Executive Drive, Marion, Ohio 43302.

**NOTE 13 - OPERATING LEASE**

The Findlay Digital Academy entered into a lease agreement on July 7<sup>th</sup>, 2016 with TLB Corporate Center, LLC to lease office space located at the TLB Corporate Center at 1219 West Main Cross Street, Findlay, Ohio. The agreement is for three years, ending on September 30, 2019 and requiring a monthly lease payment of \$4,233. In accordance with the lease agreement, the Academy shall have use of leased space for office purposes only. The Academy makes payments related to the lease agreement directly to the TLB Corporate Center, LLC.

**NOTE 14 – SUBSEQUENT EVENT**

On July 1, 2018, Steve Earnest became the Treasurer of the Academy.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Findlay Digital Academy  
Hancock County  
1219 West Main Cross  
Findlay, Ohio 45840

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Findlay Digital Academy, Hancock County, Ohio, a component unit of the Findlay City School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Findlay Digital Academy's basic financial statements and have issued our report thereon dated December 14, 2018.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Findlay Digital 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 Findlay Digital 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 Findlay Digital Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Findlay Digital Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 Findlay Digital Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Findlay Digital Academy's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 14, 2018

OHIO AUDITOR OF STATE  
**KEITH FABER**



**FINDLAY DIGITAL ACADEMY**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 26, 2019**