QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, Tuscarawas County, Ohio, as of and for the year ended June 30, 2018, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Additionally, as discussed on Note 14 to the financial statements, the Academy's foundation funding is based on annualized full-time equivalent (FTE) enrollment of each student. During a FTE review for fiscal year 2016, the Ohio Department of Education (ODE) found the Academy had a FTE of zero. As of the opinion date, an agreement has been reached between the Academy and ODE which determined the Academy was overpaid $1,991,850. This will be paid back to ODE over a six year period and has been recorded as a liability on the financial statements. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019, 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.

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2019

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The discussion and analysis of the Quaker Digital Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the 2018 fiscal year are as follows:

- Total assets increased from fiscal year 2017, due mainly to an increase in cash. During fiscal year 2018, cash increased despite a decrease in foundation payments and total cash receipts and an increase in cash disbursements, primarily an increase in purchased services resulting from Full-Time Equivalency (FTE) adjustments for Foundation funding.

- Long-term liabilities increased in fiscal year 2018 due to the increase in the long-term portion of intergovernmental payables. This increase primarily resulted from an agreement between the Academy and the State Board of Education related to the Academy's appeal of the fiscal year 2016 FTE determination. The long-term portion of the FTE adjustment for fiscal year 2018 Foundation funding also contributed to the increase.

- Despite a large decrease in salaries and benefits expense, total expenses increased in fiscal year 2018 due to a significant increase in purchased services expense. The largest component of the decrease in salaries and benefits expense resulted from changes in assumptions and benefit terms related to pensions. The significant increase in purchased services expense was primarily due to an agreement between the Academy and the State Board of Education related to the fiscal year 2016 FTE determination.

- Revenues decreased in fiscal year 2018 primarily due to a decrease in Foundation payments on an accrual basis. The decrease in revenues and the increase in expenses yielded a decrease in net position for fiscal year 2018. The decrease in Foundation payments revenue was due to the full-time equivalency audit performed by ODE, which resulted in adjustments to the fiscal year 2018 Foundation funding amount for the Academy. The Academy has accrued a liability for the adjustment and is paying the liability through Foundation settlement deductions.

Using this Financial Report

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

The statement of net position and statement of revenues, expenses and changes in net position answer the question, "How did the Academy do financially during fiscal year 2018?" The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The notes provide additional information that is essential to the data provided in the financial statements. These notes to the basic financial statements can be found on pages 15-39 of this report.

Table 1 provides a comparison of the Academy's net position for fiscal year 2018 compared to 2017 as follows:

Table 1
Net Position

	2018	2017	Change
Assets			
Current and Other Assets	$6,382,712	$5,920,806	$461,906
Capital Assets, Net	486,464	539,454	(52,990)
Total Assets	6,869,176	6,460,260	408,916
Deferred Outflows of Resources			
Pension	1,610,717	1,202,656	408,061
OPEB	99,454	7,310	92,144
Total Deferred Outflows of Resources	1,710,171	1,209,966	500,205
Liabilities			
Current and Other Liabilities	1,671,839	1,370,927	(300,912)
Long-Term Liabilities:			
Intergovernmental Payable	2,509,635	0	(2,509,635)
Compensated Absences Payable	6,100	4,944	(1,156)
Net Pension Liability	3,945,225	5,032,930	1,087,705
Net OPEB Liability	895,134	1,032,746	137,612
Total Liabilities	9,027,933	7,441,547	(1,586,386)
Deferred Inflows of Resources			
Pension	134,989	6,631	(128,358)
OPEB	100,364	0	(100,364)
Total Deferred Inflows of Resources	235,353	6,631	(228,722)
Net Position			
Net Investment in Capital Assets	486,464	539,454	(52,990)
Restricted	25,725	19,377	6,348
Unrestricted (Deficit)	(1,196,128)	(336,783)	(859,345)
Total Net Position	($683,939)	$222,048	($905,987)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $1,247,484 to $222,048.

Total assets increased from fiscal year 2017, due mainly to an increase in cash. During fiscal year 2018, cash increased despite a decrease in foundation payments and total cash receipts and an increase in cash disbursements, primarily an increase in purchased services resulting from Full-Time Equivalency (FTE) adjustments for Foundation funding.

Current and other liabilities increased from fiscal year 2017, primarily due to an increase in the current portion of intergovernmental payables. This increase is primarily related to the current portion of an FTE adjustment for fiscal year 2018 Foundation funding, which is in addition to a remaining balance for the fiscal year 2017 Foundation funding FTE adjustment.

Long-term liabilities increased in fiscal year 2018 due to the increase in the long-term portion of intergovernmental payables. This increase primarily resulted from an agreement between the Academy and the State Board of Education related to the Academy's appeal of the fiscal year 2016 FTE determination. The long-term portion of the FTE adjustment for fiscal year 2018 Foundation funding also contributed to the increase. The significant decrease in the net pension liability partly offset this large increase in long-term intergovernmental payables. The net pension liability decrease represents the Academy's proportionate share of the unfunded benefits of the SERS and STRS plans. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

The net impact was a decrease in net position for fiscal year 2018.

Table 2 shows the changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2
Change in Net Position

	2018	2017	Change
Revenues			
Operating Revenues	$3,375,114	$3,763,746	($388,632)
Non-Operating Revenues	457,512	518,190	(60,678)
Total Revenues	3,832,626	4,281,936	(449,310)
Expenses			
Operating Expenses	4,726,859	4,327,119	(399,740)
Non-Operating Expenses	11,754	39,877	28,123
Total Expenses	4,738,613	4,366,996	(371,617)
Change in Net Position	(905,987)	(85,060)	(820,927)
Net Position Beginning of Year	222,048	N/A	
Net Position End of Year	($683,939)	$222,048	($905,987)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $7,310 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $118,305. Consequently, in order to compare 2018 total expenses to 2017, the following adjustments are needed:

Total 2018 expenses under GASB 75	$4,738,613
Negative OPEB expense under GASB 75	118,305
2018 contractually required contribution	11,087
Adjusted 2018 expenses	4,868,005
Total 2017 expenses under GASB 45	4,366,996
Increase in expenses not related to OPEB	$501,009

Despite a large decrease in salaries and benefits expense, total expenses increased in fiscal year 2018 due to a significant increase in purchased services expense. The largest component of the decrease in salaries and benefits expense resulted from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 10.) As a result of these changes, pension expense decreased from $478,003 in fiscal year 2017 to a negative pension expense of $1,081,409 for fiscal year 2018.

The significant increase in purchased services expense was primarily due to the agreement between the Academy and the State Board of Education related to the fiscal year 2016 FTE determination.

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

Revenues decreased in fiscal year 2018 primarily due to a decrease in Foundation payments on an accrual basis. The decrease in revenues and the increase in expenses yielded a decrease in net position for fiscal year 2018. The decrease in Foundation payments revenue was due to the full-time equivalency audit performed by ODE, which resulted in adjustments to the fiscal year 2018 Foundation funding amount for the Academy. The Academy has accrued a liability for the adjustment and is paying the liability through Foundation settlement deductions.

For the Future

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

The Academy has a service contract for fiscal year 2019 with its Sponsor. In agreement with the past contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the governance of the Academy, hourly staff to provide support services to the Academy, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed $425,000 for fiscal year 2019.

In addition, the Academy expects student enrollment for fiscal year 2019 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2019 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program increasing substantially.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Erwin, Treasurer, at Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at erwinj@npschools.org.

Basic Financial Statements

Quaker Digital Academy

Statement of Net Position

June 30, 2018

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,282,209
Intergovernmental Receivable	66,992
Prepaid Items	33,511
Total Current Assets	6,382,712
Non-Current Assets:	
Depreciable Capital Assets, Net	486,464
Total Assets	6,869,176
Deferred Outflows of Resources	
Pension	1,610,717
OPEB	99,454
Total Deferred Outflows of Resources	1,710,171
Liabilities	
Current Liabilities:	
Accounts Payable	24,007
Accrued Wages	108,039
Intergovernmental Payable	1,477,233
Compensated Absences Payable	62,560
Total Current Liabilities	1,671,839
Long-Term Liabilities:	
Intergovernmental Payable	2,509,635
Compensated Absences Payable	6,100
Net Pension Liability (See Note 10)	3,945,225
Net OPEB Liability (See Note 11)	895,134
Total Long-Term Liabilities	7,356,094
Total Liabilities	9,027,933
Deferred Inflows of Resources	
Pension	134,989
OPEB	100,364
Total Deferred Inflows of Resources	235,353
Net Position	
Net Investment in Capital Assets	486,464
Restricted for Other Purposes	25,725
Unrestricted (Deficit)	(1,196,128)
Total Net Position	($683,939)

See accompanying notes to the basic financial statements

Quaker Digital Academy

Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues	
Foundation Payments	$3,344,448
Tuition	8,717
Charges for Services	2,668
Miscellaneous	19,281
Total Operating Revenues	3,375,114
Operating Expenses	
Salaries and Benefits	1,198,479
Purchased Services	3,305,041
Supplies and Materials	98,437
Other	28,127
Depreciation	96,775
Total Operating Expenses	4,726,859
Operating Loss	(1,351,745)
Non-Operating Revenues and Expenses	
Grants	415,654
Investment Income	38,858
Contributions and Donations	3,000
Loss on the Disposal of Capital Assets	(11,754)
Total Non-Operating Revenues and Expenses	445,758
Change in Net Position	(905,987)
Net Position Beginning of Year - Restated (See Note 3)	222,048
Net Position End of Year	($683,939)

See accompanying notes to the basic financial statements

Quaker Digital Academy

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$4,293,721
Cash Received for Tuition	8,717
Cash Received for Services	2,668
Other Cash Receipts	14,297
Cash Payments to Employees for Services	(2,479,670)
Cash Payments for Goods and Services	(1,753,575)
Other Cash Payments	(28,651)
Net Cash Provided by Operating Activities	57,507
Cash Flows from Noncapital Financing Activities	
Grants Received	404,832
Contributions and Donations Received	3,000
Net Cash Provided by Noncapital Financing Activities	407,832
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(55,539)
Cash Flows from Investing Activities	
Interest on Investments	38,858
Net Increase in Cash and Cash Equivalents	448,658
Cash and Cash Equivalents Beginning of Year	5,833,551
Cash and Cash Equivalents End of Year	$6,282,209

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	($1,351,745)
Adjustments:	
Depreciation	96,775
(Increase) Decrease in Assets:	
Intergovernmental Receivable	(4,984)
Prepaid Items	2,558
(Increase) in Deferred Outflows of Resources:	
Pension	(408,061)
OPEB	(92,144)
Increase (Decrease) in Liabilities:	
Accounts Payable	(1,872)
Accrued Wages	61,177
Intergovernmental Payable	2,754,890
Compensated Absences Payable	(2,492)
Net Pension Liability	(1,087,705)
Net OPEB Liability	(137,612)
Increase in Deferred Inflows of Resources:	
Pension	128,358
OPEB	100,364
Net Cash Provided by Operating Activities	$57,507

See accompanying notes to the basic financial statements

Note 1 – Description of the Academy and Reporting Entity

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

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

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2003. The Academy began operations on January 15, 2004. The Sponsor renewed the contract for an additional five years on May 18, 2008, and again on December 17, 2012, and again on January 10, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

A service contract for fiscal period of July 1, 2015, to June 30, 2018, between the Academy and the Sponsor was approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor $647 in February 2018 for fiscal year 2017 services and $174,390 in fiscal year 2019 for fiscal year 2018 services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy's other personnel services, which provided services to over 646 students, were paid through the Academy's payroll during fiscal year 2018.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

Measurement Focus

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

Basis of Accounting

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

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

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

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

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

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the basic financial statements.

Operating Revenues and Expenses

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

Intergovernmental Revenues

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

Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to a repurchase agreement.

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.

Capital Assets

Capital assets are reported in the statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position (See Notes 10 and 11).

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes special education and educational improvements.

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

Estimates

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

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

For fiscal year 2018, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the Academy also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the Academy's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Academy's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$1,247,484
Adjustments:	
Net OPEB Liability	(1,032,746)
Deferred Outflow – Payments Subsequent to Measurement Date	7,310
Restated Net Position June 30, 2017	$222,048

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

Note 4 – Deposits and Investments

Deposits

At fiscal year end, the carrying amount of the Academy's deposits was ($5,596) and the bank balance was $6,068. The deficit carrying balance is covered by the Academy's investment in a repurchase agreement. Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Investments

As of June 30, 2018, the Academy had the following investment:

Measurement/Investment	Measurement Amount	Maturity
Cost:		
Repurchase Agreement	$6,287,805	Daily

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The Academy has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

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

Note 5 – Receivables

Receivables at June 30, 2018, consisted of intergovernmental grants, a refund and a rebate. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Description	Amounts
Title I-A Improving Basic Programs Grant	$27,507
IDEA-B Special Education Grant	21,103
Title II-A Supporting Effective Instruction Grant	9,126
Secondary Transition Grant	371
IDEA Early Childhood Special Education Grant	82
School Employees Retirement System Refund	4,820
Bureau of Worker's Compensation Rebate	3,983
Total	$66,992

Note 6 – Capital Assets

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18
Capital Assets being depreciated:				
Furniture and Equipment	$873,482	$55,539	($26,300)	$902,721
Vehicles	69,447	0	0	69,447
Total Capital Assets being depreciated	942,929	55,539	(26,300)	972,168
Accumulated Depreciation:				
Furniture and Equipment	(381,693)	(89,830)	14,546	(456,977)
Vehicles	(21,782)	(6,945)	0	(28,727)
Total Accumulated Depreciation	(403,475)	(96,775)	14,546	(485,704)
Total Capital Assets, net	$539,454	($41,236)	($11,754)	$486,464

Note 7 – Risk Management

Property and Liability Insurance

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the Academy purchased its own insurance for property, liability, and inland marine coverage.

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

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

Employee Medical Benefits

The New Philadelphia City School District (the School District), the sponsor for the Academy, is a member of the Portage Area School Consortium (the Consortium). The Consortium is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone pools: the Portage Area School Consortium Property and Casualty Pool and the Portage Area Consortium Health and Welfare Insurance pool. These pools were established by the consortium on August 5, 1988, to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 2744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

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

As of June 30, 2018, the Academy was contracted with the School District to provide health and vision insurance benefits to its employees. The Academy paid $281,584 for health insurance benefits to the School District.

Note 8 – Agreements with the Curriculum Service Providers

The Academy entered into agreements with BYU, Rosetta Stone, Calvert, Plato/Edmentum, Odysseyware and Lincoln Learning/NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2017-2018 school year.

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

Payments are made to the provider based on the number of students enrolled in their programs. For the 2017-2018 school year the Academy paid $134 to BYU, $0 to Rosetta Stone, $232,865 to Calvert, $79,456 to Edmentum, $120,950 to Odysseyware, and $15,389 to Lincoln Learning/NNDS Management Foundation.

Note 9 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2018 with its Sponsor for the following services: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel and staff to provide services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was $174,390.

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the Academy's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $74,108 for fiscal year 2018. Of this amount, $2,485 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The Academy's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $211,891 for fiscal year 2018. Of this amount, $12,548 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.01354110%	0.01207494%	
Proportion of the Net Pension Liability Current Measurement Date	0.01437910%	0.01299128%	
Change in Proportionate Share	0.00083800%	0.00091634%	
Proportionate Share of the Net Pension Liability	$859,119	$3,086,106	$3,945,225
Pension Expense	($13,639)	($1,067,770)	($1,081,409)

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$36,974	$119,171	$156,145
Changes of Assumptions	44,426	674,965	719,391
Changes in Proportionate Share and Difference between Academy Contributions and Proportionate Share of Contributions	45,043	404,139	449,182
Academy Contributions Subsequent to the Measurement Date	74,108	211,891	285,999
Total Deferred Outflows of Resources	$200,551	$1,410,166	$1,610,717
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$24,873	$24,873
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,078	101,845	105,923
Changes in Proportionate Share and Difference between Academy Contributions and Proportionate Share of Contributions	4,193	0	4,193
Total Deferred Inflows of Resources	$8,271	$126,718	$134,989

$285,999 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$51,739	$262,733	$314,472
2020	63,548	401,278	464,826
2021	22,912	300,238	323,150
2022	(20,027)	107,308	87,281
Total	$118,172	$1,071,557	$1,189,729

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, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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	100.00 %	

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.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 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%)
Academy's Proportionate Share of the Net Pension Liability	$1,192,235	$859,119	$580,068

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented as follows:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016, actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's Proportionate Share of the Net Pension Liability	$4,423,829	$3,086,106	$1,959,276

Note 11 – Defined Benefit OPEB Plans

School Employees Retirement System

See Note 10 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS

Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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 2018, the Academy's surcharge obligation was $8,342.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $11,087 for fiscal year 2018. Of this amount $8,434 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.01357630%	0.01207494%	
Proportion of the Net OPEB Liability Current Measurement Date	0.01446720%	0.01299128%	
Change in Proportionate Share	0.00089090%	0.00091634%	
Proportionate Share of the Net OPEB Liability	$388,262	$506,872	$895,134
OPEB Expense	$29,364	($147,669)	($118,305)

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$0	$29,260	$29,260
Changes in Proportionate Share and Difference between Academy Contributions and Proportionate Share of Contributions	17,102	42,005	59,107
Academy Contributions Subsequent to the Measurement Date	11,087	0	11,087
Total Deferred Outflows of Resources	$28,189	$71,265	$99,454
Deferred Inflows of Resources			
Changes of Assumptions	$36,844	$40,830	$77,674
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,025	21,665	22,690
Total Deferred Inflows of Resources	$37,869	$62,495	$100,364

$11,087 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($7,410)	($343)	($7,753)
2020	(7,410)	(343)	(7,753)
2021	(5,692)	(343)	(6,035)
2022	(255)	(343)	(598)
2023	0	5,073	5,073
Thereafter	0	5,069	5,069
Total	($20,767)	$8,770	($11,997)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the Academy's proportionate share of the net OPEB liability for SERS and what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the Academy's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Academy's Proportionate Share of the Net OPEB Liability	$468,875	$388,262	$324,395

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Academy's Proportionate Share of the Net OPEB Liability	$315,045	$388,262	$485,165

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rates The following table represents the Academy's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the Academy's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Academy's Proportionate Share of the Net OPEB Liability	$680,467	$506,872	$369,675

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$352,153	$506,872	$710,500

Note 12 – Long-Term Obligations

The changes in the Academy's long-term obligations during fiscal year 2018 were as follows:

	Amount Outstanding 06/30/17	Additions	Reductions	Amount Outstanding 06/30/18	Amount Due in One Year
Intergovernmental Payable:					
Fiscal Year 2018 FTE Adjustment	$0	$949,273	$0	$949,273	$431,488
Fiscal Year 2016 FTE Agreement	0	1,991,850	0	1,991,850	0
Total Intergovernmental Payable	0	2,941,123	0	2,941,123	431,488
Compensated Absences	71,152	63,716	(66,208)	68,660	62,560
Net Pension Liability:					
SERS	991,084	0	(131,965)	859,119	0
STRS	4,041,846	0	(955,740)	3,086,106	0
Total Net Pension Liability	5,032,930	0	(1,087,705)	3,945,225	0
Net OPEB Liability:					
SERS	386,975	1,287	0	388,262	0
STRS	645,771	0	(138,899)	506,872	0
Total Net OPEB Liability	1,032,746	1,287	(138,899)	895,134	0
Total Long-Term Liabilities	$6,136,828	$3,006,126	($1,292,812)	$7,850,142	$494,048

There is no repayment schedule for the net pension liability and the net OPEB liability. For additional information related to the net pension liability and the net OPEB liability, see Notes 10 and 11.

Note 13 – Compensated Absences

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

Administrators, full time permanent certified employees and full time permanent classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified staff and classified staff. Upon retirement, payment is made for one-fourth of the accrued, unused sick leave credit, up to a maximum of 65 days for certified employees and classified employees. Certified and classified staff can receive an additional 5 days of paid severance for early notice by submitting a letter of resignation prior to a specified date based on employee classification.

Note 14 – Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2018, if applicable, cannot be determined at this time.

Foundation 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 Revised 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 clawbacks of Foundation funding due to lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2018.

As of the date of this report, ODE adjustments for fiscal year 2018 have been finalized. The impact of FTE adjustments has been recorded as a liability on the fiscal year 2018 financial statements.

In addition, the Academy’s contracts with the Sponsor and with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) require payment based on revenues received from the State. As a result of FTE adjustments for fiscal year 2018, a liability has been recorded in relation to the Academy’s contract with the Sponsor. As disclosed below, FTE adjustments for fiscal year 2016 have been finalized. As the OME-RESA contract for fiscal year 2018 is based on the highest student count for fiscal year 2016, management believes that neither an additional receivable nor an additional liability will result.

Final Full-Time Equivalency (FTE) Determination

On June 20, 2016, ODE completed a review of log-in and log-out records and non-classroom documentation, pursuant to Ohio Revised Code Section 3314.08(H). ODE determined that the Academy's FTE for the 2015-2016 school year was 0, which was 100 percent less than the 666.31 FTE reported. The final determination was based on the failure of the Academy to provide any records to ODE that documented duration time for internet-based and/or computer-based learning opportunities as well as non-classroom, non-computer-based learning opportunities. The Academy appealed the determination to the State Board of Education. On February 20, 2019, the Academy and the State Board of Education reached an agreement resulting in the Academy owing $1,991,850 to the State Board of Education. The impact of this agreement has been recorded as a liability on the financial statements.

Note 15 – Operating Leases

The Academy is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Academy's basic financial statements. Total costs for such leases were $109,083 for fiscal year 2018. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2018:

Fiscal Year	Amount
2019	$93,329
2020	80,000
2021	62,000
2022	62,000
2023	62,000
2024-2025	87,833
Total Minimum Payments Required	$447,162

Note 16 – Jointly Governed Organization

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The continued existence of OME-RESA is not dependent on the Academy's continued participation and no equity interest exists. OME-RESA has no outstanding debt. During fiscal year 2019, the Academy paid $45,848 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

Note 17 – Purchased Services

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

Instruction	$2,582,858
Professional and Technical Services	541,026
Leases	114,606
Utilities	66,551
Total	$3,305,041

Quaker Digital Academy

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

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01437910%	0.01354110%	0.01369530%	0.01314600%	0.01314600%
Academy's Proportionate Share of the Net Pension Liability	$859,119	$991,084	$781,467	$665,312	$781,750
Academy's Covered Payroll	$466,786	$421,257	$412,620	$381,999	$259,624
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.05%	235.27%	189.39%	174.17%	301.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Quaker Digital Academy

Required Supplementary Information

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

School Employees Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.01446720%	0.01357630%
Academy's Proportionate Share of the Net OPEB Liability	$388,262	$386,975
Academy's Covered Payroll	$466,786	$421,257
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.18%	91.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Quaker Digital Academy

Required Supplementary Information

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

State Teachers Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01299128%	0.01207494%	0.01119586%	0.01082575%	0.01082575%
Academy's Proportionate Share of the Net Pension Liability	$3,086,106	$4,041,846	$3,094,208	$2,633,197	$3,136,647
Academy's Covered Payroll	$1,425,971	$1,287,671	$1,142,243	$1,120,938	$1,161,769
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.42%	313.89%	270.89%	234.91%	269.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Quaker Digital Academy

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

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.01299128%	0.01207494%
Academy's Proportionate Share of the Net OPEB Liability	$506,872	$645,771
Academy's Covered Payroll	$1,425,971	$1,287,671
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.55%	50.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$74,108	$65,350	$58,976	$54,383
Contributions in Relation to the Contractually Required Contribution	(74,108)	(65,350)	(58,976)	(54,383)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Academy Covered Payroll (2)	$548,948	$466,786	$421,257	$412,620
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (3)	$11,087	$7,310	$6,243	$9,747
Contributions in Relation to the Contractually Required Contribution	(11,087)	(7,310)	(6,243)	(9,747)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.02%	1.57%	1.48%	2.36%
Total Contributions as a Percentage of Covered Payroll (3)	15.52%	15.57%	15.48%	15.54%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2010 is not available. An additional column will be added each year.
(2) The Academy's covered payroll is the same for Pension and OPEB.
(3) Includes surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010
$52,945	$35,932	$27,612	$26,570	$16,763
(52,945)	(35,932)	(27,612)	(26,570)	(16,763)
$0	$0	$0	$0	$0
$381,999	$259,624	$205,294	$211,376	$123,804
13.86%	13.84%	13.45%	12.57%	13.54%
$6,319	$5,480	$4,674	$6,147	$2,839
(6,319)	(5,480)	(4,674)	(6,147)	(2,839)
$0	$0	$0	$0	$0
1.65%	2.11%	2.28%	2.91%	2.29%
15.51%	15.95%	15.73%	15.48%	15.83%

Quaker Digital Academy

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$211,891	$199,636	$180,274	$159,914
Contributions in Relation to the Contractually Required Contribution	(211,891)	(199,636)	(180,274)	(159,914)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Academy Covered Payroll (2)	$1,513,507	$1,425,971	$1,287,671	$1,142,243
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2010 is not available. An additional column will be added each year.
(2) The Academy's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010
$145,722	$151,030	$100,134	$80,060	$59,520
(145,722)	(151,030)	(100,134)	(80,060)	(59,520)
$0	$0	$0	$0	$0
$1,120,938	$1,161,769	$770,262	$615,846	$457,846
13.00%	13.00%	13.00%	13.00%	13.00%
$11,209	$11,618	$7,703	$6,158	$4,578
(11,209)	(11,618)	(7,703)	(6,158)	(4,578)
$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, Tuscarawas County, Ohio as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 8, 2019, wherein we noted the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and wherein we noted the Academy has reached an agreement with the Ohio Department of Education (ODE) regarding their appeal of ODE's FTE review of zero for the Academy for fiscal year 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2019

OHIO AUDITOR OF STATE
KEITH FABER

QUAKER DIGITAL ACADEMY

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2019