



Dave Yost • Auditor of State

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, as of and for the year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, Ohio as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 6, 2013

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Quaker Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2012 and 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2012 are as follows:

- Net assets totaled \$1,985,917, a decrease of \$317,973 over fiscal year 2011.
- Total assets were \$2,187,456, an increase of \$311,355 from fiscal year 2011.
- Liabilities totaled \$201,539, a decrease of \$6,618 from fiscal year 2011.
- Operating revenues equaled \$2,904,004 and non-operating revenues were \$448,626.
- Operating expenses amounted to \$3,034,657.
-

Key financial highlights for the fiscal year ended June 30, 2011, are as follows:

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

Using this Annual Report

This annual report consists of the MD & A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2011 and 2010?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 and 2011 as follows:

Table I
 Net Assets at June 30,

	2012	2011
Assets		
Current assets	\$2,187,456	\$1,876,101
Liabilities		
Current Liabilities	201,539	208,157
Net Assets		
Invested in Capital Assets	34,604	24,500
Restricted for Other purposes	57,322	34,886
Unrestricted	1,893,991	1,608,558
Total Net assets	\$1,985,917	\$1,667,944

Total assets of \$2,187,456 in 2012 and \$1,876,101 in 2011 consisted almost entirely of cash.

Total liabilities of \$201,539 consisted of accounts payable, intergovernmental payable and accrued wages and benefits in 2012 and \$208,157 in 2011 were made up of the same categories.

The net impact was an increase in net assets of \$317,973 for 2012 and an increase of \$262,960 for 2011.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 and 2011, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2012	2011
Operating Revenues		
Foundation Payments	\$2,858,195	\$2,562,981
Charges for Services	0	5,582
Miscellaneous	45,809	25,359
Non-Operating Revenues		
Grants - Federal	444,935	485,869
Investment Income	3,691	4,415
Total Revenues	3,352,630	3,084,206
Operating Expenses		
Instruction:		
Regular	1,017,065	1,061,226
Special	419,923	309,702
Vocational	1,638	350
Other	4,876	696
Support Services:		
Pupil	6,895	10,691
Instructional staff	34,110	205,980
Board of Education	1,557	1,111
Administration	1,183,174	899,682
Fiscal	234,262	246,907
Operation and Maintenance of Plant	130,999	84,486
Pupil Transportation	158	415
Total Operating Expenses	3,034,657	2,821,246
<i>Increase (Decrease) in Net assets</i>	317,973	262,960
<i>Net Assets at Beginning of Year</i>	1,667,944	1,404,984
<i>Net Assets at End of Year</i>	\$1,985,917	\$1,667,944

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

For the Future

The Academy began fiscal year 2012 with the various vendors providing most of its instructional, services. The Academy will be working towards providing administrative, and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the administrative, and fiscal services through its Sponsor, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the Academy's five-year plan.

The Academy has not yet entered into a service contract for fiscal year 2013 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 \$400,000 for fiscal year 2013.

In addition, the Academy expects student enrollment for fiscal year 2013 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2013 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program to increase substantially.

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

Contacting the Academy's Management

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

Quaker Digital Academy
Statement of Net Assets
June 30, 2012

Assets:

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$2,128,345
Receivables:	
Intergovernmental	23,821
Accrued Interest	686
Capital Assets	
Other Depreciable Capital Assets Net	34,604

<i>Total Assets</i>	<u>2,187,456</u>
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Liabilities:

Current Liabilities

Accounts payable	105,310
Accrued Wages and Benefits	51,854
Intergovernmental Payable	<u>44,375</u>

<i>Total Liabilities</i>	<u>201,539</u>
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Net Assets

Invested in Capital Assets	37,054
Restricted for Other Purposes	57,322
Unrestricted	<u>1,891,541</u>

<i>Total Net Assets</i>	<u><u>\$1,985,917</u></u>
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See accompanying notes to the basic financial statements

Quaker Digital Academy
*Statement of Revenues,
Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012*

Operating Revenues

Foundation Payments	\$2,858,195
Miscellaneous	45,809
<i>Total Operating Revenues</i>	<u>2,904,004</u>

Operating Expenses

Instruction:	
Regular	1,017,065
Special	419,923
Vocational	1,638
Other	4,876
Support Services:	
Pupil	6,895
Instructional staff	34,110
Board of Education	1,557
Administration	1,183,174
Fiscal	234,262
Operation and Maintenance of Plant	130,999
Pupil Transportation	158
<i>Total Operating Expenses</i>	<u>3,034,657</u>

<i>Operating Income(Loss)</i>	<u>(130,653)</u>
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Non-Operating Revenues

Grants - Federal	444,935
Investment Income	3,691
<i>Total Non-Operating Revenues</i>	448,626

<i>Change in Net Assets</i>	317,973
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<i>Net Assets Beginning of Year</i>	<u>1,667,944</u>
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<i>Net Assets End of Year</i>	<u><u>\$1,985,917</u></u>
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See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Foundation Payments	\$2,858,195
Cash Received for Services	45,809
Cash Payments to Employees For Services	(1,461,548)
Cash Payments for Goods and Services	(1,579,727)

<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(137,271)</u>
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Cash Flows from Noncapital Financing Activities

Grants Received	448,750
Investment Revenue	4,070

<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>452,820</u>
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Cash Flows From Investing Activities

<i>Cash Paid for Purchase of Fixed Assets</i>	<u>(12,554)</u>
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<i>Net Increase in Cash and Cash Equivalents</i>	302,995
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<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,825,350</u>
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<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,128,345</u></u>
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Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	(\$130,653)
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Adjustments:

Increase (Decrease) in Liabilities:

Accounts payable	(20,163)
Accrued wages and benefits	5,163
Intergovernmental payable	8,382

<i>Net Cash Provided (Used) by Operating Activities</i>	<u><u>(\$137,271)</u></u>
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See accompanying notes to the basic financial statements

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Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 – Description of the Academy and Reporting Entity

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

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

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2003. The Academy began operations on January 15, 2004. The Sponsor renewed the contract for an additional five years on May 18, 2008. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy leases space from the Sponsor in the Sponsor’s Administration Building.

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

A service contract for fiscal years 2010-12 between the Academy and the Sponsor was approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor \$375,000 during fiscal year 2012 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy’s other personnel services, which provided services to 475 students, were paid through the Academy’s payroll during fiscal year 2012.

Note 2 – Summary of Significant Accounting Policies

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

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

A. Basis of Presentation

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

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

Expenses are recognized at the time they are incurred.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

D. Budgetary Process

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

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which are both restricted and unrestricted.

F. Operating Revenues and Expenses

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

G. Intergovernmental Revenues

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

H. Accrued Liabilities

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

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

I. Estimates

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

J. Cash and cash equivalents

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

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

K. Capital Assets

Capital assets are reported in the Statement of Net Assets but are not reported in the fund financial statements.

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

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

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

Note 3 – Deposits

At June 30, 2012, the carrying amount of the Academy's deposits was \$249,627. As of June 30, 2012 \$256,411 of the Academy's bank balance of \$262,345 was covered by federal depository insurance and \$5,934 was collateralized with securities held in a single financial institution collateral pool in the name of the respective depository bank and pledged as a pool of collateral against all the public monies it holds. Non-compliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

The Academy's investments consisted solely in repurchase agreements with a fair market value of \$1,878,718. The maturity of the repurchase agreements was less than six months.

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

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Of the Academy's \$1,878,718 investment in repurchase agreements in 2012, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made upon the delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 4 – Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012 the Academy purchased its own insurance for property, liability, and inland marine coverage.

Buildings and Contents - replacement cost (\$1,000 deductible)	\$50,000
Electronic data Processing (\$1000 deductible)	530,000
Automobile Liability (\$250/\$500 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 5 – Agreements with the Curriculum Service Providers

The Academy entered into agreements with the Curriculum Associates, BYU, Rosetta Stone, Calvert, and NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2011-12 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 2011-12 school year the Academy paid, \$113,511 to Calvert, \$16,242 to Rosetta Stone, \$1,926 to BYU and \$417,014 to NNDS Management Foundation.

Note 6 – Contingencies

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed during the 2004 fiscal year of operations and zero errors were found in enrollment, withdrawals and attendance. The Academy does not anticipate any significant adjustments to state funding for fiscal years 2005 through 2012.

Note 7 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2012 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 \$375,000.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 – Purchased Services

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and Technical Services	\$1,421,649
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Note 9 - Defined Benefit Pension Plans

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts, by SERS' Retirement board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit fund, Medicare B Fund, and Health care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%, the remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2012, 2011 and 2010 were \$26,208 \$25,202 and \$15,900 of which 60 percent has been contributed for year 2012 and 100 percent for years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$100,134, \$80,060 and \$ 59,520; of which 86.5 percent has been contributed for year 2012 and 100 percent for 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$100,134 made by the Academy and \$71,524 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, there are no employees contributing to Social Security. The contribution rate is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$99.90 for most participants but could be as high as \$319.70 per month depending on their income. SERS reimbursement for retirees was \$45.50

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,404, \$1,368 and \$863 respectively; 58 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to fund the health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue and health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to postemployment benefit plans.

The Health Care Fund was established under, and is administrated in accordance with Internal Revenue Code §105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of 14% employer contribution rate is the total assigned to the Health Care Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,029, \$33,147 and \$753 respectively; 58 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,152, \$6,158 and \$4,232 respectively; 83.3 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
Governmental Activities				
Furniture and Equipment	\$0	\$12,554	\$0	\$12,554
Vehicles	24,500	0	0	24,500
Totals at Historical Cost	\$24,500	\$12,554	\$0	\$37,054
Less Accumulated Depreciation:				
Furniture and Equipment	\$0	\$0	\$0	\$0
Vehicles	\$0	(\$2,450)	\$0	(\$2,450)
Total Accumulated Depreciation	\$0	(\$2,450)	\$0	(\$2,450)
Governmental Activities Capital Assets, Net	\$24,500	\$10,104	\$0	\$34,604

* Depreciation expense was charged to governmental functions as follows:

Fiscal	\$2,450
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**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
(Passed Through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	C1-S1-11	84.010	\$28,956	\$22,987
	C1-S1-12	84.010	136,768	130,408
ARRA-Title I Grants to Local Educational Agencies	C1-S1-11	84.389	727	3,153
<i>Total Title I Grants to Local Educational Agencies</i>			<u>166,451</u>	<u>156,548</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-2011	84.027	7,230	(898)
	6B-SF-2012	84.027	60,615	63,457
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	0	51
ARRA-Special Education - Grants to States (IDEA Part B)	6B-SF-2011	84.391	270	6,212
<i>Total Special Education Cluster (IDEA)</i>			<u>68,115</u>	<u>68,822</u>
Safe and Drug Free Schools and Community State Grant	DR-S1-2011	84.186	0	255
Title II-D Technology Fund	CR-S1-11	84.340	452	56
	CR-S1-12	84.340	795	795
<i>Total Title II-D</i>			<u>1,247</u>	<u>851</u>
Improving Teacher Quality State Grants	CR-S1-11	84.367	1,365	0
	CR-S1-12	84.367	3,645	4,617
<i>Total Improving Teacher Quality State Grants</i>			<u>5,010</u>	<u>4,617</u>
Education Jobs Fund	2012	84.410	151,072	150,579
ARRA-State Fiscal Stabilization Fund - Education State Grant	2011	84.394	0	153,429
ARRA-Race to the Top Fund	2012	84.395	8,549	14,938
Total U.S. Department of Education			<u>\$ 400,444</u>	<u>\$ 550,039</u>

The notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this statement.

**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Quaker Digital Academy (the Academy's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of the New Philadelphia City School District, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated February 6, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

February 6, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Quaker Digital Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Quaker Digital Academy's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Quaker Digital Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated February 6, 2013.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 6, 2013

**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	State Fiscal Stabilization Fund – CFDA #84.394 Education Jobs– CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

QUAKER DIGITAL ACADEMY

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 28, 2013