



OHIO AUDITOR OF STATE  
**KEITH FABER**





**QUAKER DIGITAL ACADEMY  
TUSCARAWAS COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 New Philadelphia City School District, Tuscarawas County, as of and for the year ended June 30, 2021, 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 Academy, as of June 30, 2021, and the changes in 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 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. 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/Asset 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 10, 2022 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 10, 2022

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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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, 2021. 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 2021 fiscal year are as follows:

- The Academy's Paycheck Protection Program loan of \$561,700 was forgiven during fiscal year 2021, contributing to a decrease in liabilities and an increase in grants revenue.
- Net position increased for fiscal year 2021 due to the increase in revenues. Charges for services, Foundation payments, and grants revenues primarily contributed to the increase.
- The Academy participated in the House Bill 123 Electronic School Funding Pilot, which contributed \$216,513 to an increase in revenue.
- Equity in pooled cash and cash equivalents decreased in fiscal year 2021, despite an overall decrease in cash payments and an increase in cash receipts, as the Academy's cash payments for operating activities continued to exceed cash received, primarily due to continued repayment of the long-term intergovernmental payable for the fiscal year 2016 Full-Time Equivalency (FTE) agreement.

### **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 2021?" 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 11-34 of this report.

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

Table 1 provides a comparison of the Academy's net position for fiscal year 2021 compared to 2020 as follows:

**Table 1**  
*Net Position*

	2021	2020	Change
<b>Assets</b>			
Current and Other Assets	\$3,849,943	\$4,151,720	(\$301,777)
Net OPEB Asset	235,325	222,951	12,374
Capital Assets, Net	189,882	260,945	(71,063)
<i>Total Assets</i>	<u>4,275,150</u>	<u>4,635,616</u>	<u>(360,466)</u>
<b>Deferred Outflows of Resources</b>			
Pension	812,385	968,395	(156,010)
OPEB	156,065	141,010	15,055
<i>Total Deferred Outflows of Resources</i>	<u>968,450</u>	<u>1,109,405</u>	<u>(140,955)</u>
<b>Liabilities</b>			
Current and Other Liabilities	573,136	784,280	(211,144)
Long-Term Liabilities:			
Intergovernmental Payable	995,925	1,327,900	(331,975)
Loan Payable	0	377,316	(377,316)
Compensated Absences Payable	10,578	9,049	1,529
Net Pension Liability	4,332,795	3,941,231	391,564
Net OPEB Liability	360,005	412,149	(52,144)
<i>Total Liabilities</i>	<u>6,272,439</u>	<u>6,851,925</u>	<u>(579,486)</u>
<b>Deferred Inflows of Resources</b>			
Pension	40,240	176,503	(136,263)
OPEB	464,115	385,033	79,082
<i>Total Deferred Inflows of Resources</i>	<u>504,355</u>	<u>561,536</u>	<u>(57,181)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	187,996	260,945	(72,949)
Restricted	122,110	118,215	3,895
Unrestricted (Deficit)	(1,843,300)	(2,047,600)	204,300
<i>Total Net Position</i>	<u>(\$1,533,194)</u>	<u>(\$1,668,440)</u>	<u>\$135,246</u>

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2021. 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



**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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.

Total assets decreased from the prior fiscal year, due mainly to a decrease in cash. Despite an overall decrease in cash payments and an increase in cash receipts, cash decreased in fiscal year 2021 as the Academy's cash payments for operating activities continued to exceed cash received, primarily due to continued repayment of the long-term intergovernmental payable for the fiscal year 2016 Full-Time Equivalency (FTE) agreement.

Current and other liabilities decreased from fiscal year 2020, primarily due to a decrease in the current portion of the loan payable. This was related to the forgiveness of the Paycheck Protection Program loan in fiscal year 2021.

Long-term liabilities decreased in fiscal year 2021 primarily due to the forgiveness of the Paycheck Protection Program loan payable and the reduction in the long-term portion of the intergovernmental payable as the Academy continued repayment. These decreases were partly offset by the increase in the net pension liability, which represents the Academy's proportionate share of the unfunded pension benefits of the SERS and STRS plans.

The net impact was an increase in net position for fiscal year 2021, due to an increase in revenues discussed subsequently.

Table 2 shows the changes in net position for fiscal year 2021 compared to fiscal year 2020.

**Table 2**  
*Change in Net Position*

	2021	2020	Change
<b>Revenues</b>			
Operating Revenues	\$3,940,902	\$3,082,753	\$858,149
Non-Operating Revenues	1,042,573	596,556	446,017
Total Revenues	4,983,475	3,679,309	1,304,166
<b>Expenses</b>			
Operating Expenses	4,815,277	4,601,185	214,092
Non-Operating Expenses	32,952	31,175	1,777
Total Expenses	4,848,229	4,632,360	215,869
Change in Net Position	135,246	(953,051)	1,088,297
Net Position Beginning of Year	(1,668,440)	(715,389)	(953,051)
Net Position End of Year	(\$1,533,194)	(\$1,668,440)	\$135,246

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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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 increased in fiscal year 2021 mainly due to increases in charges for services and Foundation payments operating revenues, as well as an increase in grants non-operating revenues. The charges for services represented reimbursements from other schools for their share of course programs and curriculum purchased by the Academy. The increase in grants revenue was mainly due to the forgiveness of the Paycheck Protection Program loan. Foundation payments also increased, mainly due to an increase in the full-time equivalency student enrollment and the Academy's participation in the House Bill 123 E-school Funding Pilot.

The increase in operating expenses was due to increases in purchased services and supplies and materials expenses for fiscal year 2021. The increase in purchased services expense was primarily due to New Philadelphia City School District purchasing seat licenses for its Virtual Academy, and the increase in supplies and materials expense was primarily due to the purchase of textbooks to use with the seat licenses for the New Philadelphia City School District's Virtual Academy.

**For the Future**

The Academy expects student enrollment for fiscal year 2022 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2022 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@go2qda.org](mailto:erwinj@go2qda.org).

# Quaker Digital Academy

## Statement of Net Position

June 30, 2021

<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$3,520,750
Accounts Receivable	600
Intergovernmental Receivable	268,864
Prepaid Items	59,729
<i>Total Current Assets</i>	<u>3,849,943</u>
<i>Non-Current Assets:</i>	
Net OPEB Asset (See Note 10)	235,325
Depreciable Capital Assets, Net	189,882
<i>Total Non-Current Assets</i>	<u>425,207</u>
<i>Total Assets</i>	<u>4,275,150</u>
<b>Deferred Outflows of Resources</b>	
Pension	812,385
OPEB	156,065
<i>Total Deferred Outflows of Resources</i>	<u>968,450</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	42,018
Accrued Wages and Benefits	50,978
Intergovernmental Payable	367,152
Compensated Absences Payable	112,988
<i>Total Current Liabilities</i>	<u>573,136</u>
<i>Long-Term Liabilities:</i>	
Intergovernmental Payable	995,925
Compensated Absences Payable	10,578
Net Pension Liability (See Note 9)	4,332,795
Net OPEB Liability (See Note 10)	360,005
<i>Total Long-Term Liabilities</i>	<u>5,699,303</u>
<i>Total Liabilities</i>	<u>6,272,439</u>
<b>Deferred Inflows of Resources</b>	
Pension	40,240
OPEB	464,115
<i>Total Deferred Inflows of Resources</i>	<u>504,355</u>
<b>Net Position</b>	
Net Investment in Capital Assets	187,996
Restricted for Other Purposes	122,110
Unrestricted (Deficit)	<u>(1,843,300)</u>
<i>Total Net Position</i>	<u><u>(\$1,533,194)</u></u>

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, 2021*

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<b>Operating Revenues</b>	
Foundation Payments	\$3,245,416
Tuition	2,380
Charges for Services	664,069
Miscellaneous	29,037
	<hr/>
<i>Total Operating Revenues</i>	<i>3,940,902</i>
	<hr/>
<b>Operating Expenses</b>	
Salaries and Benefits	3,139,905
Purchased Services	1,235,456
Supplies and Materials	345,118
Other	33,909
Depreciation	60,889
	<hr/>
<i>Total Operating Expenses</i>	<i>4,815,277</i>
	<hr/>
<i>Operating Loss</i>	<i>(874,375)</i>
	<hr/>
<b>Non-Operating Revenues (Expenses)</b>	
Grants	1,036,003
Investment Income	4,570
Contributions and Donations	2,000
Loss on the Disposal of Capital Assets	(32,952)
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>1,009,621</i>
	<hr/>
<i>Change in Net Position</i>	<i>135,246</i>
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<i>Net Position Beginning of Year</i>	<i>(1,668,440)</i>
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<i>Net Position End of Year</i>	<i>(\$1,533,194)</i>
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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, 2021

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Foundation Payments	\$3,201,905
Cash Received for Tuition	2,380
Cash Received for Services	566,389
Other Cash Receipts	28,437
Cash Payments to Employees for Services	(2,767,885)
Cash Payments for Goods and Services	(1,596,110)
Repayment of Long-Term Intergovernmental Payables through Foundation	(331,975)
Other Cash Payments	(38,000)
	<u>(934,859)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(934,859)</u>

**Cash Flows from Noncapital Financing Activities**

Grants Received	495,283
Contributions and Donations Received	2,000
	<u>497,283</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>497,283</u>

**Cash Flows from Capital and Related Financing Activities**

Payments for Capital Acquisitions	(20,892)
	<u>(20,892)</u>

**Cash Flows from Investing Activities**

Interest on Investments	4,570
	<u>4,570</u>

*Net Decrease in Cash and Cash Equivalents* (453,898)

*Cash and Cash Equivalents Beginning of Year* 3,974,648

*Cash and Cash Equivalents End of Year* \$3,520,750

**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating Loss	(\$874,375)
Adjustments:	
Depreciation	60,889
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(600)
Intergovernmental Receivable	(144,350)
Prepaid Items	(28,151)
Net OPEB Asset	(12,374)
Deferred Outflows of Resources - Pension	156,010
Deferred Outflows of Resources - OPEB	(15,055)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	8,686
Accrued Wages and Benefits	(56,972)
Intergovernmental Payable	(346,067)
Compensated Absences Payable	35,261
Net Pension Liability	391,564
Net OPEB Liability	(52,144)
Deferred Inflows of Resources - Pension	(136,263)
Deferred Inflows of Resources - OPEB	79,082
	<u>(934,859)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$934,859)</u></u>

**Noncash Noncapital Financing Activities:**

During fiscal year 2021, the Academy's Paycheck Protection Program Loan was forgiven. The forgiveness of the \$561,700 loan balance was recorded in grants revenue but did not result in the receipt or payment of cash.

**Noncash Capital Financing Activities:**

At June 30, 2021, the Academy had accounts payable of \$1,886 related to the acquisition of capital assets.

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, 2021*

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**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 Executive Director after consulting with the Sponsor's superintendent. 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.

The Academy paid the Sponsor \$98,765 in fiscal year 2021 and is expected to pay an additional \$5,809 in fiscal year 2022 for fiscal year 2021 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 approximately 522 students, were paid through the Academy's payroll during fiscal year 2021.

The Academy participates in one jointly governed organization, the Ohio Mid-Eastern Regional Education Service Agency. This organization is presented in Note 15 to the basic financial statements.

**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.

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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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.

***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.



**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***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 2021, investments were limited to a repurchase agreement, reported at cost.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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.

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

<u>Description</u>	<u>Estimated Lives</u>
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 represent 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 9 and 10.

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 9 and 10).

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
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***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 (asset), 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 position 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, student wellness and success, school safety, 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 – Change in Accounting Principle**

For fiscal year 2021, the Academy implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the Academy's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

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**Note 4 – Deposits and Investments**

***Deposits***

At fiscal year end, the carrying amount of the Academy’s deposits was (\$6,782) and the bank balance was \$4,787. 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, 2021, the Academy had the following investment:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Cost:		
Repurchase Agreement	\$3,527,532	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, 2021, consisted of accounts, intergovernmental grants, a reimbursement, and a refund. 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.

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A summary of the principal items of intergovernmental receivables follows:

Description	Amounts
Curriculum Reimbursement from Quaker Preparatory Academy	\$97,680
House Bill 123 Pilot Foundation Payment	45,910
Title II-A Supporting Effective Instruction Grant	40,303
Title I-A Improving Basic Programs Grant	36,951
Title I Non-Competitive, Supplemental School Improvement	15,700
Title IV-A Student Support and Academic Enrichment Grant	12,399
Elementary and Secondary School Emergency Relief I	9,715
IDEA-B Special Education Grant	5,566
College Credit Plus Foundation Adjustment	1,416
Elementary and Secondary School Emergency Relief II	1,393
School Employees Retirement System Refund	1,112
Expanding Opportunities for Each Child Non-Competitive Grant	719
<b>Total</b>	<b>\$268,864</b>

**Note 6 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 6/30/20	Additions	Reductions	Balance 6/30/21
Capital Assets being depreciated:				
Furniture and Equipment	\$646,333	\$22,778	(\$108,625)	\$560,486
Vehicles	69,447	0	0	69,447
<b>Total Capital Assets being depreciated</b>	<b>715,780</b>	<b>22,778</b>	<b>(108,625)</b>	<b>629,933</b>
Accumulated Depreciation:				
Furniture and Equipment	(412,218)	(54,758)	75,673	(391,303)
Vehicles	(42,617)	(6,131)	0	(48,748)
<b>Total Accumulated Depreciation</b>	<b>(454,835)</b>	<b>(60,889)</b>	<b>75,673</b>	<b>(440,051)</b>
<b>Total Capital Assets, net</b>	<b>\$260,945</b>	<b>(\$38,111)</b>	<b>(\$32,952)</b>	<b>\$189,882</b>

**Note 7 – Agreements with the Curriculum Service Providers**

The Academy entered into agreements with Edmentum and Lincoln Learning/NNDS Management Foundation for the providing of curriculum, web-based classes, and textbook materials for the 2020-2021 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 2020-2021 school year the Academy paid \$434,620 (of which \$378,045 was purchased on behalf of the New Philadelphia City School District) to Edmentum and \$131,694 (of which \$97,680 was purchased on behalf of the Quaker Preparatory Academy) to Lincoln Learning/NNDS Management Foundation.

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**Note 8 – 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 2021, the Academy contracted with Liberty Mutual Insurance for property, liability, and inland marine coverage as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents (Replacement Cost)	\$1,000	\$395,000
Electronic Data Processing	1,000	533,000
Inland Marine	500 - 1,000	61,000
Automobile Liability	250 - 500	1,000,000
Uninsured Motorists	0	1,000,000
Data and Cyber Security	10,000	1,000,000
Computer Fraud	500	200,000
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 Sponsor), 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.

The Sponsor 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 Sponsor were to withdraw from the pool. If the reserve would not cover such claims, the Sponsor would be liable for any costs above the reserve.

As of June 30, 2021, the Academy was contracted with the Sponsor to provide health and vision insurance benefits to its employees. The Academy paid \$403,100 to the Sponsor for fiscal year 2021 health insurance benefits.

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**Note 9 – Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities (asset) 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 (asset) 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 (asset) 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.

The Ohio Revised Code limits the Academy’s obligation for these liabilities 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 include 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or 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 10 for the required OPEB disclosures.

***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, 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

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financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or 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; or 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 30 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost of living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$81,810 for fiscal year 2021. Of this amount \$2,445 is reported as an intergovernmental payable.

***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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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 is deposited into the member's DC account, and the remaining 2 percent is applied 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 at age 50 and after termination of employment.

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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.



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The Academy's contractually required contribution to STRS was \$197,795 for fiscal year 2021. Of this amount \$3,821 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, 2020, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01652430%	0.01338975%	
Prior Measurement Date	<u>0.01611770%</u>	<u>0.01346128%</u>	
Change in Proportionate Share	<u>0.00040660%</u>	<u>-0.00007153%</u>	
Proportionate Share of the Net Pension Liability	\$1,092,952	\$3,239,843	\$4,332,795
Pension Expense	\$166,843	\$524,073	\$690,916

At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$2,123	\$7,269	\$9,392
Changes of assumptions	0	173,917	173,917
Net difference between projected and actual earnings on pension plan investments	69,380	157,554	226,934
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	15,550	106,987	122,537
Academy contributions subsequent to the measurement date	<u>81,810</u>	<u>197,795</u>	<u>279,605</u>
Total Deferred Outflows of Resources	<u>\$168,863</u>	<u>\$643,522</u>	<u>\$812,385</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$20,717	\$20,717
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	<u>0</u>	<u>19,523</u>	<u>19,523</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$40,240</u>	<u>\$40,240</u>

\$279,605 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$9,928	\$171,892	\$181,820
2023	26,484	62,931	89,415
2024	28,919	103,041	131,960
2025	21,722	67,623	89,345
Total	<u>\$87,053</u>	<u>\$405,487</u>	<u>\$492,540</u>

***Actuarial Assumptions – SERS***

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented as follows:

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 investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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.

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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	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings 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	\$1,497,211	\$1,092,952	\$753,771

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**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, 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
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, but do 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, 2020. 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

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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, 2020. 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, 2020.

***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 <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
Academy's proportionate share of the net pension liability	\$4,612,972	\$3,239,843	\$2,076,230

**Note 10 – Defined Benefit OPEB Plans**

See Note 9 for a description of the net OPEB liability (asset).

***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 health care 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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

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accordance with the funding policy. For fiscal year 2021, no allocation 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 2021, this amount was \$23,000. 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 2021, the Academy's surcharge obligation was \$7,669.

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 \$7,669 for fiscal year 2021. Of this amount \$7,669 is reported as an intergovernmental payable.

***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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – The 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. All benefit recipients 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, 2021, STRS did not allocate any employer contributions to postemployment health care.

***OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) 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/Asset:			
Current Measurement Date	0.01656470%	0.01338975%	
Prior Measurement Date	0.01638900%	0.01346128%	
Change in Proportionate Share	0.00017570%	-0.00007153%	
Proportionate Share of the:			
Net OPEB Liability	\$360,005	\$0	\$360,005
Net OPEB (Asset)	\$0	(\$235,325)	(\$235,325)
OPEB Expense	\$13,974	(\$6,796)	\$7,178

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At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$4,728	\$15,078	\$19,806
Changes of assumptions	61,368	3,885	65,253
Net difference between projected and actual earnings on OPEB plan investments	4,057	8,247	12,304
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	27,514	23,519	51,033
Academy contributions subsequent to the measurement date	7,669	0	7,669
Total Deferred Outflows of Resources	<u>\$105,336</u>	<u>\$50,729</u>	<u>\$156,065</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$183,088	\$46,873	\$229,961
Changes of assumptions	9,067	223,519	232,586
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	183	1,385	1,568
Total Deferred Inflows of Resources	<u>\$192,338</u>	<u>\$271,777</u>	<u>\$464,115</u>

\$7,669 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 or an increase to the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$16,759)	(\$53,571)	(\$70,330)
2023	(16,466)	(47,989)	(64,455)
2024	(16,514)	(46,031)	(62,545)
2025	(20,309)	(51,822)	(72,131)
2026	(18,080)	(10,249)	(28,329)
Thereafter	(6,543)	(11,386)	(17,929)
Total	<u>(\$94,671)</u>	<u>(\$221,048)</u>	<u>(\$315,719)</u>

***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.

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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, 2020, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption:	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 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 10-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.



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*Notes to the Basic Financial Statements*  
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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 9.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 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 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 2.45 percent, as of June 30, 2020 (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 (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 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 (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Academy's proportionate share of the net OPEB liability	\$440,637	\$360,005	\$295,903
		Current	
	1% Decrease (6.00% decreasing to 3.75%)	Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	\$283,477	\$360,005	\$462,343

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
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**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented as follows:

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
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 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, 2020, 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, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 9.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. 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 projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
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***Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rates*** The following table represents the Academy's proportionate share of the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net OPEB asset 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 assumption. Also shown is the Academy's proportionate share of the net OPEB asset 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	\$204,748	\$235,325	\$261,268
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$259,658	\$235,325	\$205,683

**Note 11 – Long-Term Obligations**

The changes in the Academy's long-term obligations during fiscal year 2021 were as follows:

	Amount Outstanding 06/30/20	Additions	Reductions	Amount Outstanding 06/30/21	Amount Due in One Year
Intergovernmental Payable:					
Fiscal Year 2016 FTE Agreement	\$1,659,875	\$0	(\$331,975)	\$1,327,900	\$331,975
Loan from Direct Borrowing:					
Paycheck Protection Program Loan	561,700	0	(561,700)	0	0
Compensated Absences	88,305	114,517	(79,256)	123,566	112,988
Net Pension Liability:					
SERS	964,350	128,602	0	1,092,952	0
STRS	2,976,881	262,962	0	3,239,843	0
Total Net Pension Liability	3,941,231	391,564	0	4,332,795	0
Net OPEB Liability - SERS	412,149	0	(52,144)	360,005	0
<i>Total Long-Term Liabilities</i>	<u>\$6,663,260</u>	<u>\$506,081</u>	<u>(\$1,025,075)</u>	<u>\$6,144,266</u>	<u>\$444,963</u>

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 9 and 10.

On February 20, 2019, the Academy and the State Board of Education reached an agreement to settle the Academy's appeal of the Ohio Department of Education's FTE review determination for fiscal year 2016. The agreement resulted in the Academy owing \$1,991,850 to the State Board of Education, which is being repaid through equal monthly Foundation deductions in fiscal years 2020 through 2025.

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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During fiscal year 2020, the Academy received a loan from the Paycheck Protection Program, which was established by the CARES Act, in the amount of \$561,700. The loan had an interest rate of 1 percent, and the lender could demand repayment at any time. If in default, the interest rate was to be increased to 18 percent. Per the terms of the loan, the Academy could apply for the entire amount of the loan to be forgiven if certain criteria were met. During fiscal year 2021, the Academy filed for loan forgiveness and was legally released from the debt. Therefore, the liability has been removed.

**Note 12 – 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 employees can receive an additional 10 days and 5 days, respectively, of paid severance for early notice by submitting a letter of resignation prior to a specified date based on employee classification.

**Note 13 – Contingencies**

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, 2021, if applicable, cannot be determined at this time.

**Note 14 – 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 amount paid for such leases was \$97,052 for fiscal year 2021. 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, 2021:

Fiscal Year	Amount
2022	\$65,066
2023	98,899
2024	80,749
2025	73,286
2026	67,147
2027-2031	302,608
Total Minimum Payments Required	<u>\$687,755</u>

**Quaker Digital Academy**  
*Notes to the Basic Financial Statements*  
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During fiscal year 2021, one of the Academy's lease agreements was amended for free rent in lieu of tenant allowance. In accordance with the agreement, the Academy replaced four of the heating, ventilation, and air conditioning (HVAC) units serving the leased premises. The HVAC units are property of the landlord, and the Academy was given free rent in lieu of tenant allowance for their costs of \$44,698. Credits of \$10,865 were applied to fiscal year 2021 rental payments, and the remaining credit balance of \$33,833 will be applied to fiscal year 2022 rental payments. The credit amounts have been excluded from the amount paid for leases in fiscal year 2021 listed in the previous paragraph and from the table of minimum payments required. The credit balance at fiscal year end has been recorded as a prepaid.

**Note 15 – Jointly Governed Organization**

Ohio Mid-Eastern Regional Education 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 2021, the Academy paid \$46,444 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Education Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

**Note 16 – Contractual Commitments**

The Academy had no significant contractual commitments outstanding at June 30, 2021, but payables in the amount of \$1,886 have been capitalized.

**Note 17 – Purchased Services**

For the fiscal year ended June 30, 2021, purchased services expenses were as follows:

Instruction	\$79,021
Professional and Technical Services	970,535
Leases	118,773
Utilities	67,127
Total	<u><u>\$1,235,456</u></u>

**Note 18 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Academy received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The Academy's investment portfolio and the investments of the pension and other employee benefit plans in which the Academy participates fluctuate with market conditions, and due to market

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volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or State, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**Note 19 – Subsequent Event**

For fiscal year 2022, community school Foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**Note 20 – Relationship with Quaker Preparatory Academy**

The Quaker Digital Academy and the Quaker Preparatory Academy Board of Directors are composed of the same individuals and share the same Sponsor, New Philadelphia City School District. Quaker Preparatory Academy utilizes office space in a building in which rent and related utilities are paid exclusively by Quaker Digital Academy. Additionally, employees paid exclusively by Quaker Digital Academy are also utilized by Quaker Preparatory Academy. The amount of these shared services paid by Quaker Digital Academy and benefiting Quaker Preparatory Academy totaled approximately \$85,367 for fiscal year 2021.

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## **Required Supplementary Information**

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**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 Eight Fiscal Years (1) \**

	2021	2020	2019
Academy's Proportion of the Net Pension Liability	0.01652430%	0.01611770%	0.01604220%
Academy's Proportionate Share of the Net Pension Liability	\$1,092,952	\$964,350	\$918,767
Academy's Covered Payroll	\$582,543	\$546,948	\$548,948
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.62%	176.31%	167.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%

(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



2018	2017	2016	2015	2014
0.01437910%	0.01354110%	0.01369530%	0.01314600%	0.01314600%
\$859,119	\$991,084	\$781,467	\$665,312	\$781,750
\$466,786	\$421,257	\$412,620	\$381,999	\$259,624
184.05%	235.27%	189.39%	174.17%	301.11%
69.50%	62.98%	69.16%	71.70%	65.52%

**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 Five Fiscal Years (1) \**

	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Liability	0.01656470%	0.01638900%	0.01618440%	0.01446720%	0.01357630%
Academy's Proportionate Share of the Net OPEB Liability	\$360,005	\$412,149	\$448,999	\$388,262	\$386,975
Academy's Covered Payroll	\$582,543	\$546,948	\$548,948	\$466,786	\$421,257
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	61.80%	75.35%	81.79%	83.18%	91.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	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

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**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 Eight Fiscal Years (1) \**

	2021	2020	2019
Academy's Proportion of the Net Pension Liability	0.01338975%	0.01346128%	0.01293721%
Academy's Proportionate Share of the Net Pension Liability	\$3,239,843	\$2,976,881	\$2,844,602
Academy's Covered Payroll	\$1,634,807	\$1,561,143	\$1,513,507
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	198.18%	190.69%	187.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%

(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

2018	2017	2016	2015	2014
0.01299128%	0.01207494%	0.01119586%	0.01082575%	0.01082575%
\$3,086,106	\$4,041,846	\$3,094,208	\$2,633,197	\$3,136,647
\$1,425,971	\$1,287,671	\$1,142,243	\$1,120,938	\$1,161,769
216.42%	313.89%	270.89%	234.91%	269.99%
75.30%	66.80%	72.10%	74.70%	69.30%

**Quaker Digital Academy**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net OPEB Asset/Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1) \**

	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Asset/Liability	0.01338975%	0.01346128%	0.01293721%	0.01299128%	0.01207494%
Academy's Proportionate Share of the:					
Net OPEB Asset	\$235,325	\$222,951	\$207,888	\$0	\$0
Net OPEB Liability	0	0	0	506,872	645,771
Academy's Covered Payroll	\$1,634,807	\$1,561,143	\$1,513,507	\$1,425,971	\$1,287,671
Academy's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	(14.39%)	(14.28%)	(13.74%)	35.55%	50.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	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

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**Quaker Digital Academy**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2021	2020	2019	2018
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$81,810	\$81,556	\$73,838	\$74,108
Contributions in Relation to the Contractually Required Contribution	<u>(81,810)</u>	<u>(81,556)</u>	<u>(73,838)</u>	<u>(74,108)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Academy Covered Payroll (1)	\$584,357	\$582,543	\$546,948	\$548,948
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$7,669	\$7,886	\$12,136	\$11,087
Contributions in Relation to the Contractually Required Contribution	<u>(7,669)</u>	<u>(7,886)</u>	<u>(12,136)</u>	<u>(11,087)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.31%</u>	<u>1.35%</u>	<u>2.22%</u>	<u>2.02%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.31%</u>	<u>15.35%</u>	<u>15.72%</u>	<u>15.52%</u>

(1) The Academy's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information



2017	2016	2015	2014	2013	2012
\$65,350	\$58,976	\$54,383	\$52,945	\$35,932	\$27,612
<u>(65,350)</u>	<u>(58,976)</u>	<u>(54,383)</u>	<u>(52,945)</u>	<u>(35,932)</u>	<u>(27,612)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$466,786	\$421,257	\$412,620	\$381,999	\$259,624	\$205,294
<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>
\$7,310	\$6,243	\$9,747	\$6,319	\$5,480	\$4,674
<u>(7,310)</u>	<u>(6,243)</u>	<u>(9,747)</u>	<u>(6,319)</u>	<u>(5,480)</u>	<u>(4,674)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.57%</u>	<u>1.48%</u>	<u>2.36%</u>	<u>1.65%</u>	<u>2.11%</u>	<u>2.28%</u>
<u>15.57%</u>	<u>15.48%</u>	<u>15.54%</u>	<u>15.51%</u>	<u>15.95%</u>	<u>15.73%</u>

**Quaker Digital Academy**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2021	2020	2019	2018
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$197,795	\$228,873	\$218,560	\$211,891
Contributions in Relation to the Contractually Required Contribution	<u>(197,795)</u>	<u>(228,873)</u>	<u>(218,560)</u>	<u>(211,891)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Academy Covered Payroll (1)	\$1,412,821	\$1,634,807	\$1,561,143	\$1,513,507
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Asset/Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The Academy's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$199,636	\$180,274	\$159,914	\$145,722	\$151,030	\$100,134
(199,636)	(180,274)	(159,914)	(145,722)	(151,030)	(100,134)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,425,971	\$1,287,671	\$1,142,243	\$1,120,938	\$1,161,769	\$770,262
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$11,209	\$11,618	\$7,703
0	0	0	(11,209)	(11,618)	(7,703)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Quaker Digital Academy**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in 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 assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	<u>Beginning in Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
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**

Beginning with fiscal year 2018, amounts reported 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:

	<u>Beginning in Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
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.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity 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

**Quaker Digital Academy**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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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 (Asset)***

**Changes in Assumptions – SERS**

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
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 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
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.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

**Changes in Benefit Terms – STRS**

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 were scheduled to be discontinued beginning January 2020.

**Quaker Digital Academy**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

# OHIO AUDITOR OF STATE KEITH FABER



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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 Quaker Digital Academy, Tuscarawas County, Ohio (the Academy), a component unit of New Philadelphia City School District, Tuscarawas County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statement and have issued our report thereon dated March 10, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Academy.

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

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 10, 2022



# OHIO AUDITOR OF STATE KEITH FABER



**QUAKER DIGITAL ACADEMY**

**TUSCARAWAS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/22/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)