



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

**This Page is Intentionally Left Blank.**

QUAKER DIGITAL ACADEMY  
TUSCARAWAS COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements.....	11
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2006 and 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, Ohio, as of June 30, 2006 and 2005, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006, 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. We previously issued a report dated January 6, 2006, 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 grants for the year ended June 30, 2005. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 10, 2006



**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006 and 2005*  
*Unaudited*

---

---

The discussion and analysis of the Quaker Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2006, are as follows:

- Net assets totaled \$517,108, an increase of \$328,429 over fiscal year 2005.
- Total assets were \$576,248, an increase of \$355,201 from fiscal year 2005.
- Liabilities totaled \$59,140, a increase of \$26,272 from fiscal year 2005.
- Operating revenues equaled \$711,242 and non-operating revenues were \$175,091.
- Operating expenses amounted to \$557,904

Key financial highlights for fiscal year ended June 30, 2005 are as follows

- Net assets totaled \$188,679, an increase of \$14,508 over fiscal year 2004.
- Total assets were \$221,047, an increase of \$28,738 from fiscal year 2004.
- Liabilities totaled \$32,368, an increase of \$14,230 from fiscal year 2004.
- Operating revenues equaled \$230,352 and non-operating revenues were \$147,602.
- Operating expenses amounted to \$363,446.

**Using this Annual Report**

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

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006 and 2005*  
*Unaudited*

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2006 and 2005?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2006, 2005 and 2004 as follows:

Table 1  
Net Assets at June 30,

	2006	2005	2004
<b>Assets</b>			
Current Assets	\$576,248	\$221,047	\$192,309
<b>Liabilities</b>			
Current Liabilities	59,140	32,368	18,138
<b>Net Assets</b>			
Restricted for Other Purposes	2,107	0	96,458
Unrestricted	515,001	188,679	77,713
<b>Total Net Assets</b>	<b>\$517,108</b>	<b>\$188,679</b>	<b>\$174,171</b>

Total assets of \$576,248 for 2006 consisted entirely of cash. Total assets of \$221,047 for 2005 were made up of cash totaling \$206,445 and intergovernmental receivables totaling \$14,602. Total assets of \$192,309 for 2004 were made up of cash totaling \$107,309 and intergovernmental receivables totaling \$85,000.

Total liabilities of \$59,140 for 2006 were made up of accounts payable totaling \$16,211 and intergovernmental payables totaling \$42,929. Total liabilities of \$32,868 for 2005 and \$18,138 for 2004 consisted entirely of accounts payable.

The net impact was an increase of net assets of \$328,429, \$14,508 and \$124,171 for 2006, 2005 and 2004, respectively.

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006 and 2005*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, 2005 and 2004, as well as a listing of revenues and expenses.

Table 2  
Change in Net Assets

	2006	2005	2004
<b>Operating Revenues</b>			
Foundation Payments	\$711,242	\$235,352	\$100,643
<b>Non-Operating Revenues</b>			
Grants	175,091	147,602	150,000
<b>Total Revenues</b>	886,333	377,954	250,643
<b>Operating Expenses</b>			
Purchased Services	356,568	238,072	123,443
Materials and Supplies	65,175	20,165	3,029
Capital Outlay	136,161	105,209	0
<b>Total Operating Expenses</b>	557,904	363,446	126,472
<b><i>Increase in Net Assets</i></b>	<u>\$328,429</u>	<u>\$14,508</u>	<u>\$124,171</u>

The Academy's activities consist of enterprise activity. Community schools receive no support from taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are, by far, the primary support for the Academy's students.

**For the Future**

The Academy began fiscal year 2006 with the various vendors providing most of its instructional, services. The Academy will be working towards providing instructional, administrative, and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the instructional, administrative, and fiscal services through its Sponsor, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the Academy's five-year plan.

The Academy has entered into a service contract for fiscal year 2007 with its Sponsor. In agreement with this contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, hourly staff to provide support services to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed \$250,000 for fiscal year 2007.

**Quaker Digital Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006 and 2005*  
*Unaudited*

---

---

In addition, the Academy expects student enrollment for fiscal year 2007 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2007 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program to increase substantially.

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

**Contacting the Academy's Management**

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

**Quaker Digital Academy**

*Statement of Net Assets*

*June 30, 2006 and 2005*

	<u>2006</u>	<u>2005</u>
<b>Assets:</b>		
<b>Current Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$576,248	\$206,445
Receivables:		
Intergovernmental	<u>0</u>	<u>14,602</u>
<i>Total Assets</i>	<u>576,248</u>	<u>221,047</u>
<b>Liabilities:</b>		
<b>Current Liabilities</b>		
Accounts Payable	16,211	32,868
Intergovernmental Payable	<u>42,929</u>	<u>0</u>
<i>Total Liabilities</i>	<u>59,140</u>	<u>32,868</u>
<b>Net Assets</b>		
Restricted for Other Purposes	2,107	0
Unrestricted	<u>515,001</u>	<u>188,679</u>
<i>Total Net Assets</i>	<u><u>\$517,108</u></u>	<u><u>\$188,679</u></u>

See accompanying notes to the basic financial statements

**Quaker Digital Academy**  
*Statement of Revenues,  
Expenses and Changes in Net Assets*  
For the Fiscal Years Ended June 30, 2006 and 2005

	2006	2005
<b>Operating Revenues</b>		
Foundation payments	\$711,242	\$230,352
<i>Total Operating Revenues</i>	711,242	230,352
<b>Operating Expenses</b>		
Purchased Services	356,568	238,072
Materials and Supplies	65,175	20,165
Capital Outlay	136,161	105,209
<i>Total Operating Expenses</i>	557,904	363,446
<i>Operating Income (Loss)</i>	153,338	(133,094)
<b>Non-Operating Revenues</b>		
Grants - Federal	175,091	147,602
<i>Change in Net Assets</i>	328,429	14,508
<i>Net Assets Beginning of Year</i>	188,679	174,171
<i>Net Assets End of Year</i>	\$517,108	\$188,679

See accompanying notes to the basic financial statements

**Quaker Digital Academy**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2006

	2006	2005
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash received from Foundation Payments	\$711,242	\$230,352
Cash Payments for Goods and Services	(531,132)	(349,216)
<i>Net Cash Provided (Used) by Operating Activities</i>	180,110	(118,864)
<b>CashFlows from Noncapital Financing Activities</b>		
Grants Received	189,693	218,000
<i>Net Increase in Cash and Cash Equivalents</i>	369,803	99,136
<i>Cash and Cash Equivalents Beginning of Year</i>	206,445	107,309
<i>Cash and Cash Equivalents End of Year</i>	\$576,248	\$206,445
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$153,338	(\$133,094)
Adjustments:		
Increase (Decrease) in Liabilities:		
Accounts payable	(16,157)	14,230
Intergovernmental payable	42,929	0
<i>Net Cash Provided (Used) by Operating Activities</i>	\$180,110	(\$118,864)
See accompanying notes to the basic financial statements		

**This page intentionally left blank.**



**Quaker Digital Academy**  
**Tuscarawas County**  
Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

**Note 1 – Description of the Academy and Reporting Entity**

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

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

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

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The Board consists of three members who hold administrative positions with the Sponsor, one public educator or public official not employed by the Sponsor, and one individual representing the interest of parents and students. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

A service contract for fiscal year 2006 between the Academy and the Sponsor was also approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor \$196,832 during fiscal year 2006 and \$59,000 during fiscal year 2005 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy’s personnel services, which provided services to 144 students, were purchased from outside organizations during fiscal year 2006, and 2005.

**Quaker Digital Academy**  
**Tuscarawas County**  
Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

**Note 2 – Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

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

***B. Measurement Focus***

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

***C. Basis of Accounting***

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

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

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

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

**Quaker Digital Academy**  
**Tuscarawas County**  
Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

Expenses are recognized at the time they are incurred.

***D. Budgetary Process***

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

***E. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***F. Operating Revenues and Expenses***

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

***G. Intergovernmental Revenues***

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

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 during the fiscal year ended June 30, 2006, to offset start-up costs of the Academy.

***H. Estimates***

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

**Quaker Digital Academy**  
**Tuscarawas County**  
Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

**Note 3 – Deposits and Investments**

Monies held by the Academy are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Academy treasury. Active monies must be maintained either as cash in the Academy treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Directors have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Academy can be deposited or invested in the following securities:

1. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
3. The State Treasurer's investment pool (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2006 and 2005, the carrying amount of the Academy's deposits were \$576,251 and \$206,445, respectively. At June 30, 2006 and 2005, \$500,889 and \$110,290 of the bank balances of \$600,889 and \$210,290, respectively, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities specifically pledged by the financial institution to the Academy.

**Quaker Digital Academy  
Tuscarawas County**

Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006 and 2005 , the Academy had no investments.

**Note 4 – Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the Academy was covered under the Sponsor’s insurance for property, liability, and inland marine coverage.

Settled claims of the Sponsor have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

**Note 5 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 6 – Agreements with the Curriculum Service Providers**

The Academy entered into agreements with the Jefferson County Educational Service Center, Calvert, and NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2006-05 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 2006-05 school year the Academy paid \$8,193 to the Jefferson County Education Service Center, \$20,652 to Calvert and \$64,144 to NNDS Management Foundation.

**Quaker Digital Academy**  
**Tuscarawas County**  
Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2006 and 2005

---

---

**Note 7 – Contingencies**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006 and 2005.

**B. Litigation**

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division, on October 6, 2004, which challenges the funding of Charter Schools under Equal Protection, One Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed during the 2004 fiscal year of operations and zero errors were found in enrollment, withdrawals and attendance. The Academy does not anticipate any significant adjustments to state funding for fiscal year 2006 or 2005, as a result of the reviews which have not yet been completed.

**Note 8 – Personnel Agreement**

The Academy entered into a service contract for fiscal year 2006 and 2005 with its Sponsor for the following services: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel and staff to provide instructional services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was \$100,000 for fiscal year 2006 and \$59,000 for 2005.

**Note 9 – Purchased Services**

For the fiscal year ended June 30, 2006 and 2005, purchased services expenses were as follows:

Professional and Technical Services - 2006	\$356,568
Professional and Technical Services - 2005	\$238,072



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

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

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Quaker Digital Academy  
Tuscarawas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

We intend this report solely for the information and use of management, the Board of Directors, and federal awarding agencies. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 10, 2006





Mary Taylor, CPA  
Auditor of State

QUAKER DIGITAL ACADEMY

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 18, 2007