



**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**REGULAR AUDIT**

**FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006**



**Mary Taylor, CPA**  
Auditor of State



**ELGIN DIGITAL ACADEMY  
MARION 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 .....	5
Statement of Revenues, Expenses, and Change in Net Assets .....	6
Statement of Cash Flows .....	7
Notes to the Basic Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Prior Audit Findings.....	19

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Elgin Digital Academy  
Marion County  
4616 Larue-Prospect Road  
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying basic financial statements of the Elgin Digital Academy, Marion County, Ohio (the Academy), as of and for the period July 1, 2006 to September 19, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Elgin Digital Academy, Marion County, Ohio, as of September 19, 2006, and the changes in its financial position and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 10, the Academy suspended operations on September 19, 2006 and formally ceased operations on September 28, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 14, 2008

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
UNAUDITED**

---

The discussion and analysis of Elgin Digital Academy's (EDA) financial performance provides an overall review of EDA's financial activities for the period July 1, 2006 to September 19, 2006. Readers should also review the basic financial statements and notes to enhance their understanding of EDA's financial performance.

**Highlights**

In total, net assets decreased \$6,250, or 40 percent. This is largely due to an amount owed back to the Ohio Department of Education as a result of the final FTE reconciliation.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how EDA did financially during the period July 1, 2006 to September 19, 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report EDA's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of EDA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of EDA's net assets for period July 1, 2006 to September 19, 2006 and fiscal year 2006:

Table 1  
Net Assets

	<u>September 19, 2006</u>	<u>2006</u>
<u>Assets:</u>		
Current Assets	\$39,536	\$27,566
Capital Assets, Net	1,556	2,000
Total Assets	<u>41,092</u>	<u>29,566</u>
<u>Liabilities:</u>		
Current Liabilities	<u>31,730</u>	<u>14,018</u>
<u>Net Assets:</u>		
Invested in Capital Assets	1,556	2,000
Unrestricted	7,742	13,548
Total Net Assets	<u><u>\$9,298</u></u>	<u><u>\$15,548</u></u>

The primary changes from the prior fiscal year are an increase in current assets, specifically cash, due to reduction in expenses as a result of pending closing of the EDA, and an increase in current liabilities due to an amount owed to the Ohio Department of Education as a result of the final FTE reconciliation.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
UNAUDITED  
(Continued)**

---

Table 2 reflects the change in net assets for period July 1, 2006 to September 19, 2006 and fiscal year 2006.

Table 2  
Change in Net Assets

	July 1, 2006 to September 19, 2006	2006
<u>Operating Revenues:</u>		
Foundation	\$9,744	\$134,910
<u>Non-Operating Revenues:</u>		
Operating Grants	0	3,000
Interest Revenue	16	96
Total Revenues	<u>9,760</u>	<u>138,006</u>
<u>Operating Expenses:</u>		
Purchased Services	15,547	131,143
Depreciation	444	2,000
Other Operating Expenses	19	89
Total Expenses	<u>16,010</u>	<u>133,232</u>
Increase/(Decrease) in Net Assets	(6,250)	4,774
Net Assets at Beginning of Year	<u>15,548</u>	<u>10,774</u>
Net Assets at End of Year	<u><u>\$9,298</u></u>	<u><u>\$15,548</u></u>

Overall revenues and expenses decreased from the prior fiscal year due to the 2006 column reflecting an entire fiscal year while the July 1, 2007 to September 19, 2006 column reflects only a partial fiscal year.

**Budgeting**

EDA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Capital Assets**

At the end of fiscal year 2007, EDA had \$1,556 invested in capital assets (net of accumulated depreciation). These assets consisted of three laptops and ipods (refer to Note 4 to the basic financial statements).

**Current Issues**

Effective September 19, 2006, the Academy's Sponsor, the Elgin Local School District, placed the Academy on suspension status for one year due to low student enrollment. Subsequently, the Board of Directors passed a resolution on September 28, 2007 to cease EDA's operations.

**Contacting EDA's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of EDA's finances and to reflect EDA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kim Reynolds, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

ELGIN DIGITAL ACADEMY  
MARION COUNTY

STATEMENT OF NET ASSETS  
SEPTEMBER 19, 2006

Assets:

Current Assets:

Cash and Cash Equivalents	\$	37,089
Prepaid Items		2,447
Total Current Assets		<u>39,536</u>

Non-Current Assets:

Depreciable Capital Assets		<u>1,556</u>
Total Assets		41,092

Current Liabilities:

Accounts Payable		64
Intergovernmental Payable		<u>31,730</u>
Total Current Liabilities		31,794

Net Assets:

Invested in Capital Assets		1,556
Unrestricted		<u>7,742</u>
Total Net Assets	\$	<u><u>9,298</u></u>

See Accompanying Notes to Basic Financial Statements

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006**

<u>Operating Revenues:</u>	
Foundation	\$ 9,744
<u>Operating Expenses:</u>	
Purchased Services	15,547
Depreciation Expense	444
Other	19
Total Operating Expenses	<u>16,010</u>
Operating Loss	<u>(6,266)</u>
<u>Non-Operating Revenues:</u>	
Interest Revenue	16
Change in Net Assets	(6,250)
Net Assets at Beginning of Period	15,548
Net Assets at End of Period	<u>\$ 9,298</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$ 23,691	
Cash Payments for Services	(2,464)	
Net Cash From Operating Activities	21,227	

Cash Flows from Noncapital Financing Activities:

Cash Received From Other Non-operating Revenues		16
-------------------------------------------------	--	----

Net Increase in Cash and Cash Equivalents		21,243
Cash and Cash Equivalents at Beginning of Period		15,846
Cash and Cash Equivalents at End of Period		37,089

Reconciliation of Operating Loss

to Net Cash From Operating Activities:

Operating Loss		(6,266)
----------------	--	---------

Adjustments to Reconcile Operating Loss

to Net Cash From Operating Activities:

Depreciation		444
Changes in Assets and Liabilities:		
Decrease in Prepaid Items		9,273
Increase in Accounts Payable		64
Increase in Intergovernmental Payable		17,712
Net Cash From Operating Activities		\$ 21,227

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006**

---

**Note 1 - Description of the School**

Elgin Digital Academy (EDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. EDA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect EDA's tax exempt status. EDA's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. EDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. EDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

EDA was approved for operation under a contract with the Elgin Local School District (the Sponsor) for a five-year period commencing on October 20, 2003. The Sponsor is responsible for evaluating the performance of EDA and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of EDA with the Treasurer of the Sponsor performing the role of Treasurer for EDA.

EDA operates under the direction of a five-member Board of Directors made up of the Superintendent, the High School Principal, and an Elementary School Principal of the Elgin Local School District and two members from the public. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of EDA. The second public member shall be a representative appointed by the Tri-Rivers Educational Computer Association (TRECA). After the first year of operation, the member appointed by TRECA will be replaced by a person who represents the interests of parents and students served by EDA. The Board of Directors is responsible for carrying out the 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. During the period July 1, 2006 to September 19, 2006, EDA purchased services from TRECA for providing the instructional, administrative, and technical services for EDA.

The EDA participates in the Ohio School Plan, an insurance pool. This organization is presented in Note 8 to the basic financial statements.

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

The basic financial statements of EDA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. EDA also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. EDA does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. Following are the more significant of the EDA's accounting policies.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

EDA'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.

EDA uses enterprise accounting to maintain its financial records during the period. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus**

EDA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of EDA are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how EDA finances and meets its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. EDA's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which EDA receives value without directly giving equal value in return, such as grants and entitlements, are 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 EDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to EDA on a reimbursement basis. 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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by EDA's contract with its Sponsor. The contract between EDA and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is updated on an annual basis.

**E. Cash and Cash Equivalents**

Cash held by EDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During the period July 1, 2006 to September 19, 2006, EDA had no investments.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 19, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year in which services are consumed.

**G. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the period. Donated capital assets are recorded at their fair market value on the date donated. EDA maintains a capitalization threshold of five hundred dollars. EDA does not have 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 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. Capital assets, currently consisting of equipment, are depreciated over three years.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by EDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. EDA first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. EDA did not have any restricted net assets during the period July 1, 2006 to September 19, 2006.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of EDA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of EDA. All revenues and expenses not meeting this definition are reported as non-operating.

**J. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Deposits**

At September 19, 2006, the carrying amount and bank balance of EDA's deposits was \$37,089. The entire bank balance was covered by federal depository insurance.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

**Note 4 - Capital Assets**

Capital asset activity for the period July 1, 2006 to September 19, 2006, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 9/19/06
Depreciable Capital Assets				
Equipment	\$6,000	\$0	\$0	\$6,000
Less Accumulated Depreciation	(4,000)	(444)	0	(4,444)
Capital Assets, Net	<u>\$2,000</u>	<u>(\$444)</u>	<u>\$0</u>	<u>\$1,556</u>

**Note 5 - Risk Management**

EDA 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 the period July 1, 2006 to September 19, 2006, EDA contracted for the following insurance coverage:

Coverage provided by the Ohio School Plan:

General Liability (\$1,000 deductible)

Each Occurrence	\$1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage for the past three fiscal years.

For the period July 1, 2006 to September 19, 2006, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant

**Note 6 - Fiscal Agent**

The sponsorship agreement states the Treasurer of the Sponsor shall serve as the fiscal officer of EDA.

The Treasurer of the Sponsor shall perform the following functions while serving as the Treasurer of EDA:

- A. Maintain the financial records of EDA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of EDA; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

---

**Note 7 - Contract with TRECA**

EDA entered into a contract on July 6, 2005, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement EDA's educational plan and EDA's assessment and accountability plan.
2. All personnel providing services to EDA on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions, and all other legal withholding and/or payroll taxes with respect to such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to EDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. EDA shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of EDA.
5. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
6. In exchange for the services and support (including equipment) provided by TRECA, EDA shall pay to TRECA \$3,600 per full-time student enrolled in EDA per year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For the period July 1, 2006 to September 19, 2006, \$2,300 was paid to TRECA.

To obtain TRECA's June 30, 2007 audited financial statements please contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**Note 8 - Insurance Pool**

EDA participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

---

**Note 9 - Contingencies**

**A. Grants**

EDA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of EDA at September 19, 2006.

**B. Litigation**

A lawsuit entitled "*Beverly Blount-Hill, et. al v. State of Ohio, et al., Case # 3:04CV197*" was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on EDA cannot presently be determined.

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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. ODE has conducted a final review of EDA's student enrollment data and FTE calculations. The final review reflected that EDA owes ODE \$13,947. A payable of \$13,947 has been reported as part of Intergovernmental payable as of September 19, 2006.

**Note 10 – Ceased Operations/Subsequent Event**

Upon expiration of a one year suspension status which ran through September 19, 2007, the Board of Directors passed a resolution on September 28, 2007 to cease EDA's operations.

The following is a schedule of all receipt and expenditure transactions which occurred subsequent to September 19, 2006, and the effect these transactions had on EDA's cash and liabilities through the closing date of September 28, 2007:

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

**Note 10 – Ceased Operations/Subsequent Event** (continued)

				Cash	Liabilities	
				37,089.00	31,794.00	9/19/06 Balance
Date	Receipt	Expenditure	Payee/Vendor			Description
09/21/06		15,140.57	TRECA	(15,140.57)	(15,140.57)	Contract services
09/30/06	10.57		National City	10.57		Interest
09/30/06		1,680.55	TRECA	(1,680.55)	(1,680.55)	Contract services
09/30/06		118.37	Chris Kimball	(118.37)	(64.08)	Travel
09/30/06		665.17	Auditor of State	(665.17)	(665.17)	Audit services
10/19/06	600.00		State of Ohio	600.00		EMIS Subsidy
10/31/06	7.25		National City	7.25		Interest
10/31/06		159.31	Chris Kimball	(159.31)		Travel
10/31/06		14.80	Auditor of State	(14.80)	(14.80)	Audit services
11/15/06		14.80	Auditor of State	(14.80)	(14.80)	Audit services
11/21/06	600.00		State of Ohio	600.00		EMIS Subsidy
11/31/06	6.62		National City	6.62		Interest
12/13/06		318.96	TRECA	(318.96)	(266.64)	Contract services
12/13/06		134.39	Chris Kimball	(134.39)		Travel
12/13/06		351.50	Auditor of State	(351.50)		Audit services
12/18/06		3,000.00	TRECA	(3,000.00)		Computer fees
12/18/06		3,500.00	Elgin LSD	(3,500.00)		Treasurer's pay
12/21/06		96.12	Chris Kimball	(96.12)		Travel
12/21/06		314.50	Auditor of State	(314.50)		Audit services
12/31/06	5.70		National City	5.70		Interest
01/31/07		1,359.36	Auditor of State	(1,359.36)		Audit services
02/28/07	26.62		National City	26.62		Interest
03/21/07	600.00		State of Ohio	600.00		EMIS Subsidy
03/23/07		106.64	TRECA	(106.64)		Contract services
03/23/07		230.00	Bricker & Eckler	(230.00)		Legal services
03/30/07	43.51		National City	43.51		Interest
04/30/07	45.05		National City	45.05		Interest
04/30/07		618.63	Auditor of State	(618.63)		Audit services
05/31/07	43.62		National City	43.62		Interest
06/19/07		3,500.00	Elgin LSD	(3,500.00)		Treasurer's pay
06/29/07		1,175.00	TRECA	(1,175.00)		Contract services
06/30/07	24.98		National City	24.98		Interest
08/15/07		237.56	Rhonda Feasel	(237.56)		Travel
				6,366.69	13,947.39	9/28/07 Balance

The liability at September 28, 2007 of \$13,947 relates to the amount payable to ODE as a result of the final FTE calculation as described in Note 9 to the basic financial statements.

Additionally, the balances at September 19, 2006 in prepaid assets of \$2,447 and Depreciable Capital Assets of \$1,556 have been reduced to \$0 as of September 28, 2007. This is due to the realization of prepaid insurance and capital assets which have been fully depreciated.

**ELGIN DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2006 TO SEPTEMBER 19, 2006  
(Continued)**

---

**Note 10 – Ceased Operations/Subsequent Event** (continued)

The following expenditure transactions occurred subsequent to the closing of EDA:

<u>Date</u>	<u>Amount</u>	<u>Vendor</u>	<u>Purpose</u>
09/30/07	167.10	Auditor of State	Audit services
01/10/08	1,111.72	Auditor of State	Audit services
01/10/08	346.26	Auditor of State	Audit services



# Mary Taylor, CPA

Auditor of State

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

Elgin Digital Academy  
Marion County  
4616 Larue-Prospect Road  
Marion, Ohio 43302

To the Board of Directors:

We have audited the basic financial statements of the Elgin Digital Academy, Marion County, Ohio (the Academy), as of and for the period July 1, 2006 to September 19, 2006, and have issued our report thereon dated March 14, 2008, wherein we noted the Academy ceased operations on September 28, 2007. 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 opinion 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*.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of management, the Board of Directors, and Elgin Local School District. It is not intended for anyone one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 14, 2008

ELGIN DIGITAL ACADEMY  
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
SEPTEMBER 19, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2006-001	Community School Closeout Plan	Yes	





**Mary Taylor, CPA**  
Auditor of State

**ELGIN DIGITAL ACADEMY**

**MARION 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  
JUNE 10, 2008**