



***HAMILTON LOCAL
DIGITAL ACADEMY***

FRANKLIN COUNTY

REGULAR AUDIT

For the Fiscal Year Ended June 30, 2007

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Board of Education
Hamilton Local Digital Academy
775 Rathmell Road
Columbus, Ohio 43207

We have reviewed the *Independent Auditor's Report* of the Hamilton Local Digital Academy, Franklin County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hamilton Local Digital Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 6, 2008

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Hamilton Local Digital Academy
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For the Fiscal Year Ended June 30, 2007

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Independent Auditor's Report

Board of Directors
Hamilton Local Digital Academy
775 Rathmell Road
Columbus, Ohio 43207

We have audited the accompanying financial statements of the business-type activities of the Hamilton Local Digital Academy (the Academy), a component unit of the Hamilton Local School District, as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities of the Academy as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Directors
Hamilton Local Digital Academy
Independent Auditor's Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2007

Hamilton Local Digital Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Hamilton Local Digital Academy's (HLDA) financial performance provides an overall review of the HLDA's financial activities for the initial period ended June 30, 2007. Readers should also review the basic financial statements and notes to enhance their understanding of the HLDA's financial performance.

Highlights

HLDA is in its third year of operation as a Kindergarten through twelfth grade online internet school. Each student was provided a computer and scanner which were used to access a curriculum based on the state model and which used certified/licensed instructors. Enrollment varied during the year but averaged 85 students.

Using this Annual Financial Report

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 changes in net assets reflect how HLDA did financially during the year ended June 30, 2007. 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 fiscal year revenues and expenses regardless of when cash is received or paid.

These statements report HLDA'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 HLDA has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

HLDA uses enterprise presentation for all of its activities.

Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Hamilton Local Digital Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1 provides a summary of HLDA's net assets as of June 30, 2007 compared to fiscal year 2006:

Table 1
Net Assets

	2007	Restated 2006
<u>Assets:</u>		
Current Assets	\$202,086	\$188,223
Accounts Receivable	0	90,000
Capital Assets	174,142	115,574
Total Assets	376,228	393,797
<u>Liabilities:</u>		
Current Liabilities	85,975	93,333
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	174,142	115,574
Unrestricted	116,111	184,890
Total Net Assets	\$290,253	\$300,464

HLDA's current assets increased \$13,863. The capital assets increased \$58,568 due to the purchase of computers and other technology equipment during 2007.

Table 2 reflects the changes in net assets for the year ended June 30, 2007 as compared to fiscal year 2006:

	2007	Restated 2006
<u>Operating Revenues:</u>		
Foundation	\$500,348	\$293,566
<u>Non Operating Revenues:</u>		
Grants	17,200	318,886
Total Revenues	517,548	612,452
<u>Operating Expenses:</u>		
Purchased Services	453,266	524,967
Materials and Supplies	16,541	24,665
Depreciation	57,952	34,648
Other Operating Expenses	0	1
Total Expenses	527,759	584,281
Total Increase(Decrease) in Net Assets	\$(10,211)	\$28,171

Revenues decreased \$94,904 or 15 percent during fiscal year 2007. The major factor in this change is the decrease of \$301,686 in the HLDA's grant receipts due to the fact that last year we had \$215,000 in one grant that we were not eligible for in 2007.

HLDA's expenses decreased \$56,522 or 10 percent, which is mostly due to the decrease in purchased services expense from grants.

Hamilton Local Digital Academy
Franklin County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Budgeting

HLDA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the HLDA's contract with its Sponsor. The contract between HLDA and its Sponsor prescribes an annual budget requirement of preparing a five year forecast, which is to be updated on an annual basis.

Capital Assets and Debt Administration

Capital Assets

HLDA did invest \$116,520 during the period ended June 30, 2007. The accumulated depreciation at June 30, 2007 amounted to \$115,616. The capital assets net of accumulated depreciation at June 30, 2007 amounted to \$174,142.

Debt

HLDA has incurred no debt as of June 30, 2007.

Current Issues

The cutting edge nature of this kind of instructional delivery makes for constant change during the first few of years of operation. The upgrade and maintenance of equipment and technical support are some of the other challenges facing HLDA.

Contacting the HLDA's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the HLDA's finances and to show the HLDA's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Adam Collier, Treasurer, Hamilton Local Digital Academy, 775 Rathmell Road, Columbus, Ohio 43207.

Hamilton Local Digital Academy
Franklin County

Statement of Net Assets
June 30, 2007

Assets:

Current Assets:

Cash and Cash Equivalents	\$202,086
Depreciable Capital Assets, Net	<u>174,142</u>
Total Assets	<u>\$376,228</u>

Liabilities:

Current Liabilities:

Accounts Payable	<u>\$85,975</u>
Total Liabilities	<u>\$85,975</u>

Net Assets:

Invested in Capital Assets, Net of Related Debt	174,142
Unrestricted	<u>116,111</u>
Total Net Assets	<u>\$290,253</u>

See accompanying notes to the basic financial statements

Hamilton Local Digital Academy
Franklin County

Statement of Revenues, Expenses, and Changes in Net Assets
For the Period July 1, 2006 through June 30, 2007

Operating Revenues:

Foundation \$500,348

Total Operating Revenues 500,348

Operating Expenses:

Purchased Services 453,266

Materials and Supplies 16,541

Depreciation 57,952

Total Operating Expenses 527,759

Operating Loss (27,411)

Non-Operating Revenues:

Grants 17,200

Total Non-Operating Revenues 17,200

Change in Net Assets (10,211)

Net Assets, June 30, 2006, Restated 300,464

Net Assets, June 30, 2007 \$290,253

See accompanying notes to the basic financial statements

Hamilton Local Digital Academy
Franklin County

Statement of Cash Flows
For the Period July 1, 2006 through June 30, 2007

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$500,348
Cash Payments to Suppliers for Goods and Services	<u>(503,685)</u>

Net Cash Provided by Operating Activities	<u>(3,337)</u>
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Cash Flows from Non-capital Financing Activities:

Grants Received	<u>17,200</u>
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Net Increase in Cash and Cash Equivalents	13,863
Cash and Cash Equivalents, June 30, 2006	<u>188,223</u>

Cash and Cash Equivalents, June 30, 2007	<u>\$202,086</u>
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Reconciliation of Operating Loss to

Net Cash Provided by Operating Activities:

Operating Loss	(27,411)
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Depreciation	57,952
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Changes in Assets and Liabilities:	
Decrease in Accounts Payable	<u>(33,878)</u>

Net Cash Provided by Operating Activities	<u>\$ (3,337)</u>
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See accompanying notes to the basic financial statements

Hamilton Local Digital Academy
Franklin County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 1: Description of the School

The Hamilton Local Digital Academy (HLDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. HLDA 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 HLDA's tax exempt status. HLDA's mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Hamilton City School District, sponsor school district, that desire a specific course not currently offered but is available through online instruction.

HLDA was created on February 24, 2003 by entering into a contract with Hamilton Local School District the Sponsor). The Sponsor is also the fiscal agent of the HLDA with the Treasurer of the Sponsor completing the role of Treasurer for the HLDA.

HLDA operates under the direction of a six-member (five voting member) Board of Directors. The charter dictates the Board members. The Hamilton Local School District approves the Board, but does not appoint the members. The Sponsor can suspend the HLDA's operations for any of the following reasons: 1) The HLDA's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The HLDA's failure to meet generally accepted standards of fiscal management, 3) The HLDA's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of HLDA and the children it serves. During the fiscal year ended June 30 2007, HLDA paid purchased services to TRECA for providing the planning, design, implementation, instructional, administrative, and technical services. Therefore, the HLDA is a component unit of the Hamilton Local School District. Additional, the HLDA entered into an agreement with Tri-Rivers Educational Computer Association (TRECA) for management consulting services (See Note 5).

Note 2 - Summary of Significant Accounting Policies

The financial statements of the HLDA 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. HLDA 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. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the HLDA's accounting policies are described below.

A. Basis of Presentation

The HLDA'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.

HLDA uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of HLDA 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 HLDA finances meet its cash flow needs.

Hamilton Local Digital Academy
Franklin County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. HLDA's 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. Revenue resulting from non-exchange transactions, in which HLDA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which HLDA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to HLDA 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 the HLDA's contract with its Sponsor. The contract between HLDA and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by HLDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. HLDA had no investments during the fiscal year ended June 30, 2007.

F. 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 HLDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. HLDA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Capital Assets

Capital assets during fiscal year 2007 consisted of computers and computer equipment. All capital assets are capitalized at cost and updated for any additions and retirements during the fiscal year. HLDA mentions a capitalization threshold of five hundred dollars. All of HDLA's reported capital assets are depreciated using the straight-line method over five years of useful life.

H. Operating Revenues and Expenses

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

I. 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 - Prior Period Adjustment

Accounting errors in the calculation of the depreciation expense of the Academy during fiscal year 2006 resulted in the June 30, 2006 capital asset balances being overstated.

	Governmental Activities
Net Assets at June 30, 2006	\$324,642
Overstatement of Capital Assets	(24,178)
Adjusted Net Assets at June 30, 2006	\$300,464

Hamilton Local Digital Academy
Franklin County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 4 – Deposits

The following information classifies deposits by categories of risk as defined in GASB Statement No.3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2007, the carrying amount of HLDA's deposits was \$202,086 and the bank balance was \$210,040. All of the bank balance was covered by federal depository insurance and pooled collateral agreements with the banking institution. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 - Contract with TRECA

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

- TRECA shall provide HLDA with instructional, supervisory/administrative, and technical services sufficient to effectively implement HLDA's educational plan and HLDA's assessment and accountability plan.
- All personnel providing services to HLDA 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.
- The technical services provided by TRECA to HLDA 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.
- HLDA 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 HLDA.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.

For the period \$42,276 was payable under this contract. HLDA paid 100% of this amount as of June 30, 2007.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance June 30, 2006	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2007
Equipment	<u>\$173,238</u>	<u>\$116,520</u>	<u>\$0</u>	<u>\$289,758</u>
Less Accumulated Depreciation	<u>(57,664)</u>	<u>(57,952)</u>	<u>0</u>	<u>(115,616)</u>
Depreciable Capital Assets, Net	<u>\$115,574</u>	<u>\$58,568</u>	<u>\$0</u>	<u>\$174,142</u>

Note 7 - Risk Management

HLDA is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the period ended June 30, 2007, HLDA is covered by the Hamilton Local School Districts policy. Management is unaware of any material pending claims that may effect the period ended June 30, 2007.

Hamilton Local Digital Academy
Franklin County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 8 - Related Party Transactions

The HLDA is a component unit of the Hamilton Local School District (the District). As described in Note 1, the District is the HLDA's sponsor. The HLDA and the District entered into a five-year sponsorship agreement on February 25, 2003, whereby terms of the sponsorship were established. Pursuant to this agreement, the District's treasurer serves as the HLDA's fiscal officer. Also, the HLDA is required annually to pay the District, from funding provided to the HLDA from the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code, \$150 per student per year.

Note 9 - Contingencies

A. Grants

HLDA received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires 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 HLDA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the HLDA at June 30, 2007.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (Le., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18th, 2003. The effect of this suit, if any, on HLDA is not presently determinable.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by HLDA. These reviews are conducted to ensure HLDA is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

Note 10 - State School Funding

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

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Directors
Hamilton Local Digital Academy
775 Rathmell Road
Columbus, Ohio 43207

We have audited the accompanying financial statements of the Hamilton Local Digital Academy (the Academy), as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 17, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Hamilton Local Digital Academy
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe these findings are also 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 have a direct and material effect on 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*.

This report is intended for the information and use of the Board of Directors, and management, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2007

HAMILTON LOCAL DIGITAL ACADEMY

Schedule of Findings

For the Fiscal Year Ended June 30, 2007

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

Finding Number 2007-001

Financial Statement Adjustments - Significant Deficiency/Material Weakness

Rule 117-2-01(A) and 117-2-01(B)(1) directs all public offices to design and operate a system of internal control that is adequate to provide assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the Treasurer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2007 financial statements:

There were errors in the calculation of depreciation of capital assets for fiscal year 2006 and fiscal year 2007.

A prior period adjustment to decrease capital assets and net assets by \$24,178, was necessary to correct the error in the fiscal year 2007 beginning balance.

An adjustment was needed to increase depreciation expense and decrease capital assets by \$24,977.

The necessity for the Academy to make these corrections indicates a significant deficiency in the design of the internal control system over the reliability of financial reporting.

We recommend the Academy review their internal controls over financial reporting and take the necessary steps to strengthen these controls in an effort to help insure the reliability of financial reporting.

Officials' Response

No response was provided by the Academy.

Finding Number 2007-002

Posting of Financial Records - Significant Deficiency/Material Weakness

The Academy posts its financial transactions via computer on the Metropolitan Educational Council accounting system for school districts. A review of the Academy's records revealed that several bank charges and direct deposit receipts were not posted to this system in a timely manner, some not being posted for over six months. This resulted in the Treasurer having to prepare adjusting entries to the year-end financial statements to reflect these un-posted items.

The lack of controls over the posting of financial transactions can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

HAMILTON LOCAL DIGITAL ACADEMY
Schedule of Findings
For the Fiscal Year Ended June 30, 2007

We recommend that all financial transactions of the Academy be posted to the financial accounting system as soon as the Academy is made aware of each transaction. This will assist the Academy to ensure that the financial statements are reliable and complete.

Officials' Response

The District is currently working with the Bank to get this bank charge removed and does not wish to enter the charges into the system since they will be removed.

HAMILTON LOCAL DIGITAL ACADEMY

Corrective Action Plan

For the Year Ended June 30, 2007

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2007-001	The District will review journal entries to attempt to correct any issues prior to audit.	N/A	Adam Collier, Treasurer
2007-002	The District is currently working with the Bank to get the charges removed.	N/A	Adam Collier, Treasurer



Mary Taylor, CPA
Auditor of State

HAMILTON LOCAL DIGITAL ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2008**