



Mary Taylor, CPA  
Auditor of State



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Kent Digital Academy  
Portage County  
321 North Depeyster Street  
Kent, Ohio 44240

To the Governing Board:

We have audited the accompanying financial statements of the Kent Digital Academy, Portage County, Ohio (the "School"), as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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 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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the School'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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires 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

January 25, 2008

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Unaudited)**

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This discussion and analysis of the Kent 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. Readers should also review the basic financial statements and notes 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. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD & A.

**Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- Total net assets increased \$58,271 in the fiscal year 2006, which represents a 31.4 percent increase from fiscal year 2005.
- Total assets increased \$91,569 which represents a 48.6 percent increase from the prior year.
- Total liabilities increased \$33,298 which represents a 100 percent increase from the prior year.

**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 the Academy did financially during the fiscal year ended June 30, 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 initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy'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 the Academy 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.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Unaudited)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2006 compared to 2005:

*Table 1  
Net Assets*

	<u>Net Assets</u> <u>2006</u>	<u>Net Assets</u> <u>2005</u>
<b>Assets:</b>		
<i>Current and other assets</i>	\$ 172,379	\$ 117,533
<i>Capital assets, net of depreciation</i>	<u>107,443</u>	<u>70,720</u>
<i>Total assets</i>	<u>279,822</u>	<u>188,253</u>
<b>Liabilities:</b>		
<i>Current and other liabilities</i>	<u>36,112</u>	<u>2,814</u>
<b>Net Assets:</b>		
<i>Invested in capital assets, net of debt</i>	107,443	70,720
<i>Restricted</i>	3,684	9,604
<i>Unrestricted</i>	<u>132,583</u>	<u>105,115</u>
<i>Total net assets</i>	<u>\$ 243,710</u>	<u>\$ 185,439</u>

Total assets were \$279,822 an increase of \$91,569 or 48.6 percent from the previous year. This increase is primarily due to increases in cash held by the Academy and an increase in capital assets. Cash amounted to \$171,703, state and federal grants receivable amounted to \$576, and net capital assets totaled \$107,443.

Total liabilities which consisted of accounts payable equaled \$36,112.



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Unaudited)**

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

*Table 2  
Changes in Net Assets*

	2006	2005
<b>Operating revenues:</b>		
<i>Foundation payment</i>	\$ 134,648	\$ 162,103
<i>Other operating revenues</i>	10	67
<i>Total operating revenues</i>	134,658	162,170
<b>Non operating revenues:</b>		
<i>State and federal grants</i>	156,534	10,810
<i>Interest earnings</i>	6,235	1,786
<i>Total nonoperating revenues</i>	162,769	12,596
<i>Total revenues</i>	297,427	174,766
<b>Operating expenses:</b>		
<i>Purchased services</i>	191,584	195,326
<i>Materials and supplies</i>	28,441	2,913
<i>Depreciation</i>	16,461	13,690
<i>Other</i>	2,670	13,857
<i>Total operating expenses</i>	239,156	225,786
<i>Net income (loss)</i>	58,271	(51,020)
<i>Net assets, beginning of year</i>	185,439	236,459
<i>Net assets, end of year</i>	\$ 243,710	\$ 185,439

Total net assets increased \$58,271 in the fiscal year 2006, which represents a 31.4 percent increase from fiscal year 2005, as a result of significant increases in revenues from various federal, state and local grant programs. Community schools receive no support from local taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are the primary support for the Academy's existence.

**Budgeting**

The Academy is not required to follow the budgetary provision set forth in Ohio Revised Code Chapter 5705.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Unaudited)**

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**Capital Assets**

The Academy had \$107,443 invested in capital assets (net of accumulated depreciation). Capital assets consist of \$144,153 in furniture, fixtures and equipment. These capital assets were off-set by \$36,710 in accumulated depreciation resulted in net capital assets of \$107,443. See Note 5 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

**Debt**

The Academy did not incur any debt during the fiscal year ended June 30, 2006.

**Current Financial Issues**

The Academy's Board of Directors adopted a revised Five Year Budget Plan on May 11, 2005. This Plan projected a positive cash balance through June 30, 2008. Revenue projections were based on an annual enrollment of 25 students. The Plan also assumes the approval of a third \$150,000 federal sub grant. However, actual shortfalls from these revenue assumptions will negatively impact the Academy's future financial position.

**Contacting the Academy's Financial Management:**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Deborah A. Krutz, Treasurer, at Kent Digital Academy, 321 North Depeyster St. Kent, Ohio 44240.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006**

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**ASSETS**

**Current assets:**

Cash	\$ 171,803
Receivables:	
State and federal grants	576
Total current assets	<u>172,379</u>

**Noncurrent assets:**

Capital assets, net of accumulated depreciation	<u>107,443</u>
Total assets	<u>\$ 279,822</u>

**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	<u>\$ 36,112</u>
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**Net assets:**

Invested in capital assets	107,443
Restricted	3,684
Unrestricted	<u>132,583</u>
Total net assets	<u><u>243,710</u></u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

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<b><u>Operating revenues:</u></b>	
State foundation	\$ 134,648
Other operating revenues	10
Total operating revenue	<u>134,658</u>
<b><u>Operating expenses:</u></b>	
Purchased services	191,584
Materials and supplies	28,441
Depreciation	16,461
Other	2,670
Total operating expenses	<u>239,156</u>
Operating loss	<u>(104,498)</u>
<b><u>Non-operating revenues:</u></b>	
State and federal grants	156,534
Interest	6,235
Total non-operating revenues	<u>162,769</u>
Change in net assets	58,271
Net assets at beginning of year	<u>185,439</u>
Net assets at end of year	<u>\$ 243,710</u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006**

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<b>Cash flows from operating activities:</b>	
Cash from the State of Ohio	\$ 134,648
Cash payments to suppliers for goods and services	(186,727)
Cash payment for other operating expenses	(2,670)
Other operating revenues	10
Net cash used for operating activities	<u>(54,739)</u>
<b>Cash flows from noncapital financing activities:</b>	
State and Federal grants	<u>162,987</u>
Net cash provided by noncapital financing activities	<u>162,987</u>
<b>Cash flows from capital and related financing activities:</b>	
Cash payments from capital acquisitions	<u>(53,184)</u>
Net cash used for capital and related financing activities	<u>(53,184)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>6,284</u>
Net cash provided by investing activities	<u>6,284</u>
Net increase in cash	61,348
Cash at beginning of year	<u>110,455</u>
Cash at end of year	<u><u>\$ 171,803</u></u>
 <b><u>Reconciliation of operating loss to net cash used for operating activities:</u></b>	
Operating loss	<u>(104,498)</u>
<b><u>Adjustments to reconcile operating loss to net cash used for operating activities:</u></b>	
Depreciation	16,461
Increase (decrease) in liability:	
Accounts payable	<u>33,298</u>
Total adjustments	<u>49,759</u>
Net cash used for operating activities	<u><u>\$ (54,739)</u></u>

See accompanying notes to the basic financial statements.

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**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Kent Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and 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 was approved for operation under contract with the Board of Education of the Kent City School District (the Sponsor) for a period of five years commencing with fiscal year July 1, 2002 through June 30, 2003. The Academy operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/ or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Board of Education of the Kent City School District, does not prescribe a budgetary process for the Academy.

**D. Cash**

Cash received by the Academy is maintained in a demand deposit account.

**E. 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 these estimates.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Academy capitalized all assets that were capital in nature. The Academy does not possess any infrastructure and does not capitalize interest costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture, fixtures, and equipment is computed using the straight-line method over estimated useful lives of five to ten years.

**G. Tax Exemption Status**

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Kent City School District.



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**H. Net Asset**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated. This review resulted in an overpayment to the Academy in the amount of \$5,506.

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the school was awarded \$150,000 in fiscal year 2006 to offset start up costs of the Academy. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

As of June 30, the carrying amount of the Academy's deposits was \$10,252. In addition, the Academy had the following investment:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 161,551	100%	N/A	AAAm <sup>(1)</sup>

<sup>(1)</sup> Standard and Poor's rating

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating.

**NOTE 4 - STATE AND FEDERAL GRANTS RECEIVABLE**

Receivables at June 30, 2006 consisted of State and Federal grants. All State and Federal grants are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. The State and Federal grants receivable consisted of several federal grants totaling \$576.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

A summary of the Academy's fixed assets at June 30, 2006, follows:

	<i>Balance 6/30/2005</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 6/30/2006</i>
<i>Furniture, fixtures and equipment</i>	\$ 90,969	\$ 53,184		\$ 144,153
<i>Less: Accumulated depreciation</i>	(20,249)	(16,461)	-	(36,710)
<i>Net capital assets</i>	\$ 70,720	\$ 36,723	\$ -	\$ 107,443

**NOTE 6 - PURCHASED SERVICES**

For the year July 1, 2005 through June 30, 2006, purchased service expenses were payments for services rendered by various vendors as follows:

<i>Property services</i>	\$ 14,601
<i>Professional services</i>	176,983
<i>Total</i>	\$ 191,584

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**NOTE 7 – CONTRACT WITH TRECA**

On June 1, 2005, the Academy entered into a contract, for the 2005-06 school year, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational, assessment and accountability plans. All personnel providing services provided by 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 its employees. All personnel providing such services shall possess any certification or licensure which may be required by law.

**NOTE 8 – CONTRACT WITH KENT CITY SCHOOL DISTRICT**

The Community School Sponsorship Contract between Kent Digital Academy and Kent CSD provides for payments that the Academy had to make to the Kent CSD during fiscal year 2006. The payments totaled \$91,702 for supplies, facility use, and reimbursement of personnel costs for the services of Kent CSD employees who work directly with Kent Digital Academy.

**NOTE 9 - RISK MANAGEMENT**

**Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a \$1,000 deductible and a \$1 million limit per occurrence and a general aggregate limit of \$2 million.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The Academy 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

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**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 the Academy is not presently determinable.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2006, the Academy implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation". The implementation of these new standards did not require a restatement of balances.



# 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*

Kent Digital Academy  
Portage County  
321 North Depeyster Street  
Kent, Ohio 44240

To the Governing Board:

We have audited the financial statements of Kent Digital Academy, Portage County (the "School") as of and for the year ended June 30, 2006, and have issued our report thereon dated January 25, 2008. 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 School's internal control over financial reporting to determine our auditing procedures in order 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. In a separate letter to the School's management dated January 25, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School'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*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of the audit committee, management and the Governing Board. It is not intended for anyone 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

January 25, 2008



**Mary Taylor, CPA**  
Auditor of State

**KENT DIGITAL ACADEMY**

**PORTAGE 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  
APRIL 1, 2008**