



**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

New Day Academy Boarding and Day School
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Trustees:

We have audited the basic financial statements of the New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The amounts reported on the Statement of Cash Flows specifically Cash Flows from Operating Activities are inaccurate. Operating cash payments reported do not agree to the cash basis records. Also, the Notes to the Financial Statements did not include the following required disclosures:

- Subsequent events which occurred after the report date;
- Disclosure of operating leases; and
- Disclosure of fees paid to the sponsor.

In addition the following notes were inaccurately reported:

- The pension disclosures; and
- The state school funding.

In our opinion, except for the effects of such adjustments, if any, as would be necessary to accurately record the amounts reported as cash flows from operating activities and except for the omission and inaccuracies reported in the notes to the financial statements described above, the financial statements referred to above present fairly in all material respects, the financial position of the New Day Academy Boarding and Day School, Cuyahoga County, Ohio, as of June 30, 2006 and the respective changes in financial position and cash flows thereof in conformity with accounting principles generally accepted in the United States of America.

New Day Academy Boarding and Day School
Cuyahoga County
Independent Accountants' Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 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 *Governmental Auditing Standards*. You need to read it in conjunction with the report in assessing the result of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. . We have applied certain limited procedures, which consisted 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

August 11, 2008

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

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

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

Financial Highlights

- In total, net assets increased \$7,870. The increase was due to the increase in revenue, which outpaced the associated expenses.
- Total assets increase \$18,905. The increase was from the first year of business activity.
- Liabilities increased \$11,035.

Using this Financial Report

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

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

Statement of Net Assets

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

Table 1 provides a summary of the Academy's net assets for fiscal year 2006:

(Table 1)

Net Assets

	2006
Assets	
Current Assets	\$ 16,320
Capital Assets, Net	2,585
Total Assets	<u>18,905</u>
Liabilities	
Current Liabilities	11,035
Total Liabilities	<u>11,035</u>
Net Assets	
Invested in Capital Assets	2,585
Unrestricted	5,285
Total Net Assets	<u><u>\$ 7,870</u></u>

Total assets increased by \$7,870. This increase was due to the first year of business activity revenue exceeding operating expenses.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

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

	<u>2006</u>
Operating Revenues	
Foundation payments	\$ 342,562
State special education program	3,000
Extracurricular & Lunchroom Sales	13,538
Student Fees	<u>3,266</u>
Total Operating Revenues	<u>362,366</u>
Operating Expenses	
Salaries	175,611
Fringe Benefits	30,442
Purchased Services	133,737
Cost of Sales - Lunchroom	9,277
Supplies and materials	17,890
Depreciation	199
Other	<u>10,660</u>
Total Operating Expenses	<u>377,816</u>
Operating (loss)	(15,450)
Non-Operating Revenue and Expense	
Federal & State Grants	23,320
Total Non-Operating Revenues	<u>23,320</u>
Change in Net Assets	<u><u>\$ 7,870</u></u>

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

Capital Assets

At the end of fiscal year 2006 the Academy had \$2,585 invested in Furniture and Equipment. Table 3 shows fiscal year 2006:

(Table 3)

**Capital Assets at June 30, 2006
(Net of Depreciation)**

	2006
Furniture, Fixtures, and Equipment	\$ 2,585
Total	<u>\$ 2,585</u>

For more information on capital assets see Note 4 to the basic financial statements.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Franklin Carter, Treasurer, at the NEW DAY ACADEMY BOARDING & DAY SCHOOL, 7601 Harrison Avenue, Mt. Healthy, Ohio 45231 or e-mail at franklincarter@allaboutlearningsite.org.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

	<u>2006</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 9,040
Intergovernmental Receivable	7,280
Total Current Assets	<u>16,320</u>
Non-Current Assets	
Depreciable Capital Assets (Net of Accumulated Depreciation)	<u>2,585</u>
Total Non-Current Assets	<u>2,585</u>
Total Assets	<u>18,905</u>
Liabilities	
Current Liabilities	
Account Payable	8,239
Payroll Liabilities	854
Director's Advance	<u>1,942</u>
Total Current Liabilities	<u>11,035</u>
Total Liabilities	<u>11,035</u>
Net Assets	
Invested in Capital Assets	2,585
Unrestricted (Deficit)	<u>5,285</u>
Total Net Assets	<u>\$ 7,870</u>

The notes to the financial statements are an integral part of this statement.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

	<u>2006</u>
Operating Revenues	
Foundation payments	\$ 342,562
State special education program	3,000
Extracurricular & Lunchroom Sales	13,538
Student Fees	<u>3,266</u>
Total Operating Revenues	<u>362,366</u>
Operating Expenses	
Salaries	175,611
Fringe Benefits	30,442
Purchased Services	133,737
Cost of Sales - Lunchroom	9,277
Supplies and materials	17,890
Depreciation	199
Other	<u>10,660</u>
Total Operating Expenses	<u>377,816</u>
Operating (loss)	(15,450)
Non-Operating Revenue and Expense	
Federal & State Grants	23,320
Total Non-Operating Revenues	<u>23,320</u>
Net Assets Beginning of Year	<u>-</u>
Net Assets End of Year	<u>\$ 7,870</u>

The notes to the financial statements are an integral part of this statement.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

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

	<u>2006</u>
Increase (Decreases) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 3,000
Cash received from Foundation Payments	342,562
Cash received from Student Fees	3,266
Cash received from Other Operating Revenues	13,538
Cash payments for personal services	(339,789)
Cash payments fro supplies and materials	(17,891)
Cash payments for Miscellaneous	(16,182)
Net Cash Used for Operating Activities	<u>(11,496)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Cash from State and Federal Grants	<u>23,320</u>
Net Cash from Noncapital Financing Activities	<u>23,320</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(2,784)</u>
Net Cash from Capital and Related Financing Activities	<u>(2,784)</u>
 Net decrease in cash and cash equivalents:	 9,040
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 9,040</u>
 Reconciliation of Operating loss to Net Cash Used for Operating Activities:	
Operating income (loss)	(15,450)
 Adjustments to Reconcile Operating Income (loss) to Net Cash Provided by Operating Activities:	
Depreciation	199
Changes in Assets and Liabilities:	
Decrease (Increase) in Intergovernmental Receivable	(7,280)
Increase (Decrease) in Accounts Payable	8,239
Increase in Payroll Liabilities	854
Increase in Director's Advance	1,942
Total Adjustments	<u>3,954</u>
Net cash used by operating activities	<u>\$ (11,496)</u>

See accompanying notes to the basis financial statements.

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NEW DAY ACADEMY BOARDING & DAY SCHOOL

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

NEW DAY ACADEMY BOARDING & DAY SCHOOL (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. 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 Educational Resources Consultants of Ohio, Inc. for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under a five member self-appointed Board of Trustees. The Academy's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 more significant of the Academy's accounting policies are described below.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy'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.

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

Expenses are recognized at the time they are incurred.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compares income and expense to actual figures on a regular basis and also prescribes that an appointed finance committee will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis. The finance committee is required to report their recommendations to the Board of Trustees.

E. Capital Assets and Depreciation

The Academy maintains a capitalization threshold of one thousand dollars.

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

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	7 years
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F. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

3. DEPOSITS

At fiscal year end, the Academy's the bank balance was \$10,938. Of the bank balance, all was covered by federal depository insurance.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/06</u>
Business-Type Activity				
Furniture, Fixtures, and Equipment	\$ -	\$ 2,784	\$ -	\$ 2,784
Total Capital Assets Being Depreciated	-	2,784	-	2,784
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	-	199	-	199
Total Accumulated Depreciation	-	199	-	199
Business-Type Activity Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,585</u>	<u>\$ -</u>	<u>\$ 2,585</u>

NEW DAY ACADEMY BOARDING & DAY SCHOOL

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (Continued)

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the Academy contracted with Scottsdale Surplus Lines Insurance Company for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time, irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 14 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$2,906 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$352.3 million and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. STATE SCHOOL FUNDING DECISION

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

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

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

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2006, the review was completed in January 2006. For the Academy, there was an insignificant variance between the amount received to date and the final payment made to the Academy. This variance will have no effect on the financial standing of the Academy.

NEW DAY ACADEMY BOARDING & DAY SCHOOL

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. PURCHASED SERVICES

For the year ended June 30, 2006, the purchased service expenses were comprised of the following:

Special Ed Consultant	\$ 20,288
Superintendent Consultant	938
Meeting Expense	3,369
Sponsors Fees	11,127
Rentals	44,995
Telephone	3,290
Postage	1,259
Advertising	509
Other Administrative Support	15,854
Treasury Services	8,267
Payroll Services	2,029
Maintenance	1,263
Human Recourse Services	9,019
Community Rec	11,530
Total Purchased Services	<u>\$ 133,737</u>

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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*

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Trustees

We have audited the basic financial statements of the New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2006 and have issued our report thereon dated August 11, 2008, wherein we qualified the opinion on the basic financial statements because certain information related to the cash flow statement was inaccurate and the Notes to the Financial Statements were incomplete and inaccurate. Except for the above matters, 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-002 and 2006-003.

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 basic financial statements which audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2006-002 and 2006-003 listed above to be material weaknesses.

We noted a certain matter that we reported to the Academy's management in a separate letter dated August 11, 2008.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2006-001.

The Academy's response to finding number 2006-003 in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and Board of Trustees, and the Community School sponsor. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 11, 2008

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-001
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Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and,
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and,
- Notes to the financial statements as prescribed by GAAP.

The School did not file its financial statements for the year ended June 30, 2006.

We recommend the School organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy may be assessed a late filing penalty.

FINDING NUMBER	2006-002
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Financial Reporting

Section 2200.102 and 2300.106 of the Codification of Governmental Accounting and Financial Reporting Standards provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis;
- Basic financial statements which include;
- Statement of Net Assets;
- Statement of Revenues, Expenditures, and Changes in Net Assets;
- Statement of Cash Flows; and
- Note disclosures.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER	2006-002
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Financial Reporting (Continued)

Although the School prepared the above noted financial statements and notes, the amount reported on the Statement of Cash Flows specifically Cash Flows from Operating Activities were inaccurate. Cash payments reported do not agree to the cash basis records. Therefore, the Statement of Cash Flows does not provide accurate information about how the School finances and meets its operating cash flow needs. Also, the Notes to the Financial Statements were incomplete and inaccurate. The Notes to the Financial Statements did not include the following required disclosures:

- Subsequent events which occurred after the report date;
- Disclosure of operating leases; and
- Disclosure of fees paid to the sponsor.

In addition the following notes were inaccurately reported:

- The pension disclosures; and
- The state school funding.

We recommend the Academy review the note disclosures required by the Codification of Governmental Accounting and Financial Reporting Standards to ensure complete disclosures are made.

FINDING NUMBER	2006-003
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Development and Implementation of Non-Payroll Cash Disbursements

During our testing of the non-payroll cash disbursements we noted the following deficiencies:

- In three instances out of 44 non-payroll transactions tested the School did not provide an invoice; and
- In four instances out of 23 debit card transactions tested no supporting documentation was made available for audit purposes.

Without original documentation for these expenditures we were unable to determine if the expenditures made were for proper purposes and if payments were made to the proper vendors.

We recommend the School maintain files which contain all original documentation as support for all financial transactions. It is imperative that all transaction be supported by competent evidential matter.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-003
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Development and Implementation of Non-Payroll Cash Disbursements (Continued)

Clients Response:

The sample the auditors chose is very small in comparison to the total transactions of the Academy. Management believes that the results of the tested transactions are not indicative of the Academy's overall internal controls as it relates to maintaining supporting documentation for financial transactions.

Although six percent of the non-payroll transactions tested by the AOS did not provide an invoice: we believe if all of the transactions were tested this percentage would be significantly lower. Moreover, we believe the six percent which is comprised of three (3) checks totaling \$693.61, is immaterial, and this comment would be more appropriately placed as a recommendation in the management letter.

Although 4 of the 23 debit card transactions, which were tested, did not provide supporting documentation; however, the vendor name and dollar amount can be obtained and are indicated on the bank statement, which would verify that the expenditures were for proper purposes and made to the proper vendors. We believe that the four debit card transactions totaling \$156.74 is immaterial, and that this comment would be more appropriately placed as a recommendation in the management letter.

Finally, we acknowledge the comments given to us and take responsibility for them. However, seven (7) transactions totaling \$850.40 is immaterial when compared to the total transactions of \$373,691.82 made by the Academy for fiscal year 2006; therefore, based on the aforementioned reasons, we request that Finding Number 2006-003 be made a recommendation as part of the management letter rather than a qualified finding.

Auditor of State Conclusion:

We agree that with any sampling projection, the projection may differ from the actual error rate. To provide more precision, we could increase our sample sizes, but this would incur additional audit costs. We hope management agrees these additional costs are not needed.

Auditing standards recognize the use of sampling. Statistical sampling tables support that our sample size was large enough for the results to be meaningful and reasonably representative of the true deviation rate.

We did not receive a comment for finding number 2006-001 and 2006-002.



Mary Taylor, CPA
Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA 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
SEPTEMBER 11, 2008**