

Kent Digital Academy
Audited Financial Statements

June 30, 2011



Dave Yost • Auditor of State

Board of Directors
Kent Digital Academy
321 North Depeyster Road
Kent, Ohio 44240

We have reviewed the *Independent Auditor's Report* of the Kent Digital Academy, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Kent Digital Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 12, 2012

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KENT DIGITAL ACADEMY

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December 22, 2011

The Board of Directors
Kent Digital Academy
321 North Depeyster Road
Kent, Ohio 44240

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Kent Digital Academy (the Academy), as of and for the year ended June 30, 2011, 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. 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 above present fairly, in all material respects, the respective financial position of the Academy, as of June 30, 2011, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Academy closed effective July 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 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. 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kent Digital Academy
Independent Auditor's Report
December 22, 2011
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The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

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, 2011. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

Key financial highlights for fiscal year 2011 are as follows:

- Total net assets decreased \$20,936 in fiscal year 2011, which represents a 64.2 percent decrease from fiscal year 2010.
- In 2011, total assets decreased \$25,016, which represents a 64.4 percent decrease from the fiscal year 2010.
- Total liabilities decreased \$4,080 in fiscal year 2011, which represents a 65.5 percent decrease from fiscal year 2010.
- Effective July 1, 2011 the Academy has decided to close as explained in Note 3. This is the final report of the Academy.

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, 2011. 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 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, 2011
(Unaudited)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2011 compared to 2010:

*Table 1
Net Assets*

	<i>Net Assets 2011</i>	<i>Net Assets 2010</i>
Assets:		
<i>Current and other assets</i>	<u>\$ 13,803</u>	<u>\$ 38,819</u>
Liabilities:		
<i>Current and other liabilities</i>	<u>2,149</u>	<u>6,229</u>
Net Assets:		
<i>Restricted</i>	-	3,762
<i>Unrestricted</i>	<u>11,654</u>	<u>28,828</u>
<i>Total net assets</i>	<u><u>\$ 11,654</u></u>	<u><u>\$ 32,590</u></u>

Total assets were \$13,803, which is a decrease of \$25,016 or 64.4 percent from the previous year. Total assets consisted of cash of \$13,803 for fiscal year 2011.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 compared to 2010, as well as a listing of revenues and expenses.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Foundation payment	\$ 94,100	\$ 153,454
Non-operating revenues:		
State and federal grants	21,583	20,274
Interest earnings	42	87
Total non-operating revenues	<u>21,625</u>	<u>20,361</u>
Total revenues	<u>115,725</u>	<u>173,815</u>
Operating expenses:		
Purchased services	126,967	212,542
Materials and supplies	1,781	5,879
Depreciation	-	25,931
Other	7,913	5,123
Total operating expenses	<u>136,661</u>	<u>249,475</u>
Non-operating expenses:		
Loss on disposal of capital assets	-	80,356
Total expenses	<u>136,661</u>	<u>329,831</u>
Change in net assets	(20,936)	(156,016)
Net assets, beginning of year	<u>32,590</u>	<u>188,606</u>
Net assets, end of year	<u>\$ 11,654</u>	<u>\$ 32,590</u>

Total net assets decreased \$20,936 in the fiscal year 2011, which represents a 64.2 percent decrease from fiscal year 2010. This decrease is linked to a depleting cash balance from reduced revenues resulting from lower enrollment. Community schools receive no support from local taxes. The State Foundation Program is 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 but is required to submit a five year budget forecast as required by Ohio Revised Code Section 5705.391.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Capital Assets

The Academy has no capital assets for the fiscal year ending June 30, 2011.

Debt

The Academy did not incur any debt during the fiscal year ended June 30, 2011.

Current Financial Issues

The Academy has decided to permanently close effective July 1, 2011.

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, 2011

ASSETS

Current assets:

Cash	\$ 13,803
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	463
Unearned revenue	1,686
Total current liabilities	<u>2,149</u>

Net assets:

Unrestricted	<u>\$ 11,654</u>
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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, 2011**

<u>Operating revenues:</u>	
State foundation	\$ 94,100
<u>Operating expenses:</u>	
Purchased services	126,967
Materials and supplies	1,781
Other	7,913
Total operating expenses	<u>136,661</u>
Operating loss	<u>(42,561)</u>
<u>Non-operating revenues:</u>	
State and federal grants	21,583
Interest	42
Total non-operating revenues	<u>21,625</u>
Change in net assets	(20,936)
Net assets at beginning of year	<u>32,590</u>
Net assets at end of year	<u>\$ 11,654</u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:	
Cash from the State of Ohio	\$ 94,223
Cash payments to suppliers for goods and services	(121,501)
Cash payment for other operating expenses	(19,363)
Net cash used for operating activities	<u>(46,641)</u>
Cash flows from noncapital financing activities:	
State and Federal grants	<u>23,478</u>
Net cash provided by noncapital financing activities	<u>23,478</u>
Cash flows from investing activities:	
Interest on investments	<u>42</u>
Net cash provided by investing activities	<u>42</u>
Net decrease in cash	(23,121)
Cash at beginning of year	<u>36,924</u>
Cash at end of year	<u><u>\$ 13,803</u></u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (42,561)</u>
<u>Adjustments to reconcile operating loss to net cash used for operating activities:</u>	
Change in assets and liabilities:	
Accounts payable	(3,038)
Contracts payable	(1,165)
Unearned revenue	123
Total adjustments	<u>(4,080)</u>
Net cash used for operating activities	<u><u>\$ (46,641)</u></u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 a community school 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 is currently operating under a successor sponsor contract with the Board of Education of the Kent City School District (the Sponsor). The contract was entered into on May 15, 2007 and it runs through June 30, 2012. 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) pronouncements 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 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.

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.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

C. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 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. However, the Academy is required to submit a five year budget forecast as required by Ohio Revised Code Section 5705.391.

E. 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.

F. Cash

Cash received by the Academy is maintained in a demand deposit account. During the fiscal year, investments were limited to an interest in STAROhio, the State Treasurer's Investment Pool.

G. Net Asset

Net assets represent the difference between assets and liabilities. 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.

H. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the State Special Education Program and 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 Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. The Academy did not receive any revenue under this program for the year ended June 30, 2011.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 these estimates.

NOTE 3 – FINAL CLOSING OF THE ACADEMY AND SUBSEQUENT EVENTS

The Academy's Board passed a resolution on March 17, 2011 that announced the closing of the Academy effective July 1, 2011. The Academy's management has appropriately notified the Ohio Department of Education (ODE) and began the proper closing procedures.

The Academy's assets at the end of the fiscal year consisted of cash in a checking account. The cash balance of \$13,803 is to be paid out for contractual services incurred as of the end of this year as well as those incurred following the close. After all other contractual services are paid, the remaining amount will be paid to the Academy's sponsor as a partial payment of the actual amount owed for fiscal and administrative services. The payments are anticipated to be as presented below:

	<u>Amount</u>
<i>Bank balance at June 30, 2011</i>	\$ 13,803
 <i>Transactions from July 1, 2011 through December 22, 2011</i>	
<u>Revenues</u>	
<i>Interest</i>	\$ 3
 <u>Expenses</u>	
<i>Bank fees</i>	1
<i>Legal services</i>	463
<i>Refund to Ohio Department of Education</i>	1,686
<i>Accounting services</i>	1,450
<i>Audit fees</i>	3,216
<i>Meeting fee</i>	32
<i>Total expenses</i>	<u>6,848</u>
<i>Bank balance at December 22, 2011</i>	<u><u>\$ 6,958</u></u>

Management anticipates the following payments to be made following December 22, 2011:

<u>Expenses</u>	
<i>Final audit related costs</i>	\$ 1,104
<i>Payment to sponsor for services</i>	<u>5,854</u>
	<u><u>\$ 6,958</u></u>

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2011, the fully insured carrying amount of the Academy's deposits totaled \$13,803.

NOTE 5 - PURCHASED SERVICES

For the year July 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors as follows:

	<u>2011</u>
<i>Property services</i>	\$ 11,899
<i>Professional services</i>	<u>115,068</u>
<i>Total</i>	<u>\$ 126,967</u>

NOTE 6 - CONTRACT WITH TRECA

On June 17, 2010, the Academy entered into a contract, for the 2010-11 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 7 - CONTRACT WITH KENT CITY SCHOOL DISTRICT

The Community School Sponsorship Contract between Kent Digital Academy and Kent City School District (CSD) provides for payments that the Academy had to make to the Kent CSD during fiscal year 2011. These payments totaled \$74,779 for the fiscal year and were for supplies, facility use, and reimbursement of personnel costs for the services of Kent CSD employees who work directly with Kent Digital Academy.

NOTE 8 - 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 2011, the Academy contracted with a commercial insurance carrier for property and general liability insurance. There is a \$1,000 deductible and a \$1 million limit per occurrence and a general aggregate limit of \$2 million for general liability coverage. There has been no significant reduction in insurance coverage as compared to the prior year. In addition, no claims resulting from these risks have been made in any of the past three fiscal years.

**KENT DIGITAL ACADEMY
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - 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, 2011.

B. Ohio Department of Education Enrollment Review

Following the close of the fiscal year, the Ohio Department of Education (ODE) completes a payment reconciliation by comparing what the Academy was paid during the fiscal year to what the Academy should have been paid. The reconciliation for fiscal year 2011 resulted in a calculation of an overpayment to the Academy of approximately \$1,686. This amount has been reflected as unearned revenue and will be paid out with the final closing disbursements. The final anticipated disbursements are presented in Note 3.

December 22, 2011

The Board of Directors
Kent Digital Academy
321 North Depeyster Road
Kent, Ohio 44240

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Kent Digital Academy (the Academy) as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 22, 2011, which indicates the Academy closed effective July 1, 2011. 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.

Internal Control Over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Kent Digital Academy
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
December 22, 2011
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Rea & Associates, Inc.

December 22, 2011

Kent Digital Academy
321 North Depeyster Road
Kent, Ohio 44240

Independent Accountant's Report on Applying Agreed-Upon Procedure

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Kent Digital Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010. The Academy closed effective July 1, 2011.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Rea & Associates, Inc.

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Dave Yost • 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
JANUARY 26, 2012**