

***AKRON DIGITAL ACADEMY
SUMMIT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014





Dave Yost • Auditor of State

Board of Directors
Akron Digital Academy
335 South Main Street
Akron, Ohio 44308

We have reviewed the *Report of Independent Auditors* of the Akron Digital Academy, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Akron 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

April 9, 2015

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AKRON DIGITAL ACADEMY
SUMMIT COUNTY
AUDIT REPORT
For the year ended June 30, 2014

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Akron Digital Academy
Summit County
335 South Main Street
Akron, Ohio 44308

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Akron Digital Academy (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Akron Digital Academy as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplemental and Other Information

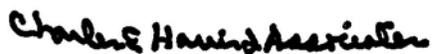
Our audit was conducted to opine on the Akron Digital Academy's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 29, 2015

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**Akron Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The discussion and analysis of the Akron Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. 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 the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2014 are as follows:

- Total net position decreased \$1,042,627. This is a 48% decrease from fiscal year 2013.
- Total revenues decreased to \$3,383,648 from \$4,530,980. This is a decrease of \$1,147,332 or 25%.
- Total expenses were \$4,426,275. Total expenses decreased from \$4,876,149 from fiscal year 2013. This is a decrease of \$449,874 or 9%.

Using this Annual Report

This annual report consists of the Management's Discussion and Analysis, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during fiscal year 2014"? The statement of net position includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader that the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Academy's facility conditions, required educational programs and other factors.

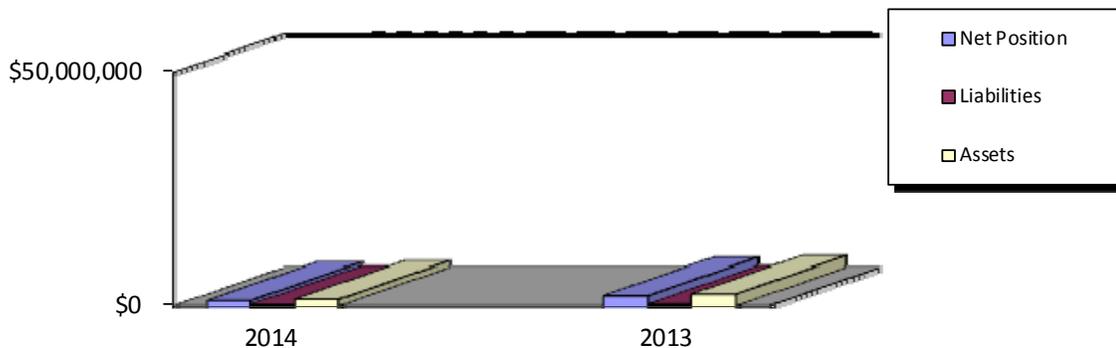
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**Akron Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 1 provides a summary of the Academy's net position for fiscal year 2014 compared to fiscal year 2013 as follows:

**Table 1
Net Position**

	Fiscal Year	
	2014	2013
Assets:		
Current Assets	\$1,400,745	\$2,493,571
Capital Assets, Net	35,565	55,785
Total Assets	1,436,310	2,549,356
Liabilities:		
Current Liabilities	285,812	356,231
Total Liabilities	285,812	356,231
Net Position:		
Net Investment in Capital Assets	35,565	55,785
Restricted	397,006	0
Unrestricted	717,927	2,137,340
Total Net Position	\$1,150,498	\$2,193,125



Total net position of the Academy decreased by \$1,042,627. The decrease in total net position from fiscal year 2013 is primarily due to a decrease in equity in pooled cash and investments as cash expenses exceeded cash receipts in fiscal year 2014 and a decrease to capital assets. Current liabilities decreased due to a decrease in accrued wages and benefits and accounts payable when compared to 2013.

**Akron Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

**Table 2
Changes in Net Position**

	Fiscal Year	
	2014	2013
Operating Revenues:		
State Foundation	\$2,690,437	\$3,343,605
Fees	4,950	3,755
Other Revenues	24,295	29,891
Total Operating Revenues	2,719,682	3,377,251
Operating Expenses:		
Salaries	1,986,381	2,419,546
Fringe Benefits	671,311	667,566
Purchased Services	1,239,111	1,397,221
Materials and Supplies	460,173	315,221
Depreciation	20,220	32,887
Other Expenses	49,079	43,708
Total Operating Expenses	4,426,275	4,876,149
Operating Income (Loss)	(1,706,593)	(1,498,898)
Non-Operating Revenues (Expenses):		
Investment Earnings	8,277	11,263
State and Federal Grants	655,689	1,142,466
Total Non-Operating Revenues (Expenses)	663,966	1,153,729
Change in Net Position	(1,042,627)	(345,169)
Net Position - Beginning of Year	2,193,125	2,538,294
Net Position - End of Year	\$1,150,498	\$2,193,125

The Academy's activities consist of enterprise activity. Community schools receive no support from taxes.

Foundation payments decreased from \$3,343,605 in fiscal year 2013 to \$2,690,437 in fiscal year 2014. Foundation payments decreased because student average daily membership decreased to 395 in fiscal year 2014 from 526 in fiscal year 2013. Foundation payments are based on student enrollment. The State Foundation Program is, by far, the primary support for the Academy's students.

**Akron Digital Academy
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Total non-operating revenues decreased from \$1,153,729 in fiscal year 2013 to \$663,966 in fiscal year 2014. This decrease is primarily due to a decrease in grants non-operating revenue of \$486,777.

Total expenses remained relatively consistent in fiscal year 2014 as compared to fiscal year 2013.

Capital Assets

At the end of fiscal year 2014, the Academy had \$35,565 in furniture and equipment. Table 3 shows fiscal year 2014 balances compared to fiscal year 2013 as follows:

**Table 3
Capital Assets at Year End
(Net of Depreciation)**

	Fiscal Year	
	2014	2013
Furniture and Equipment	\$35,565	\$55,785

Depreciation operating expense of \$20,220 accounts for the decrease in capital assets. For further information on capital assets, see Note 4 of the notes to the basic financial statements.

For the Future

The Academy’s focus will be to maintain its current enrollment. Therefore, the Academy does not anticipate significant changes in revenues and expenses.

The Academy will continue to receive Race to the Top funds in fiscal year 2014 from the federal government. Once these funds end, it may be difficult to maintain current revenue levels without additional revenue sources from the federal and state governments. This uncertainty makes it difficult to forecast revenues after fiscal year 2013.

The Academy plans to participate in the federal grant programs passed through the Ohio Department of Education’s Comprehensive Continuous Improvement Plan every fiscal year in the future. These grant funds enhance the operations of the Academy.

As a result, the Academy’s management must diligently plan expenses, staying carefully within the Academy’s five-year plan.

The Academy’s management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

**Akron Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Contacting the Academy's 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 financial information, contact Alleyn Unversaw, Fiscal Officer, at Akron Digital Academy, 1879 Deerfield Rd, Lebanon, Ohio 45036.

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Akron Digital Academy
Statement of Net Position
June 30, 2014

Assets:	
Current Assets:	
Cash and Investments	\$1,107,387
Receivables:	
Accounts	10,816
Intergovernmental	<u>282,542</u>
Total Current Assets	<u>1,400,745</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>35,565</u>
Total Noncurrent Assets	<u>35,565</u>
Total Assets	<u>1,436,310</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	9,938
Accrued Wages and Benefits	<u>275,874</u>
Total Current Liabilities	<u>285,812</u>
Total Liabilities	<u>285,812</u>
Net Position:	
Net Investment in Capital Assets	35,565
Restricted	397,006
Unrestricted	<u>717,927</u>
Total Net Position	<u>\$1,150,498</u>

See accompanying notes to the basic financial statements.

Akron Digital Academy
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
Fees	\$4,950
Foundation Payments	2,690,437
Other Operating Revenues	<u>24,295</u>
Total Operating Revenues	<u>2,719,682</u>
Operating Expenses:	
Salaries	1,986,381
Fringe Benefits	671,311
Purchased Services	1,239,111
Materials and Supplies	460,173
Depreciation	20,220
Other	<u>49,079</u>
Total Operating Expenses	<u>4,426,275</u>
Operating Income (Loss)	<u>(1,706,593)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	8,277
State and Federal Grants	<u>655,689</u>
Total Non-Operating Revenues (Expenses)	<u>663,966</u>
Change in Net Position	(1,042,627)
Net Position - Beginning of Year	<u>2,193,125</u>
Net Position - End of Year	<u><u>\$1,150,498</u></u>

See accompanying notes to the basic financial statements.

Akron Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$2,690,437
Other Operating Cash Receipts	29,745
Cash Payments to Employees for Salaries and Benefits	(2,690,443)
Cash Payments for Goods and Services	(1,742,860)
Cash Payments for Other Expenses	<u>(49,079)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,762,200)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>604,927</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>604,927</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>8,277</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>8,277</u>
Net Increase (Decrease) in Cash and Investments	(1,148,996)
Cash and Investments - Beginning of Year	<u>2,256,383</u>
Cash and Investments - End of Year	<u><u>\$1,107,387</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$1,706,593)
Adjustments:	
Depreciation	20,220
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(5,408)
Increase (Decrease) in Accrued Liabilities	(29,562)
Increase (Decrease) in Payables	<u>(40,857)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$1,762,200)</u></u>

See accompanying notes to the basic financial statements.

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the Academy

The Akron Digital Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy 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 designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy’s program.

The Academy began operations on October 7, 2002. The Academy was approved for operation under a contract with the Warren County Educational Service Center (Sponsor) for period of five years beginning on July 1, 2013. 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 the direction of a self-appointed, five-member Board of Directors. The Board consists of five individuals representing the interest of parents and students. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy is staffed by 52 employees who provide services to 395 students.

Note 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. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Academy’s accounting policies are described below.

Basis of Presentation

The Academy’s basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, 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 position, financial position and cash flows.

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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 transactions, in which the Academy receives value without directly giving equal value in return, include 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 years 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.

Budgetary Process

Unlike traditional 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 prescribes that each year of the Contract, on or before June 30, a revised school budget shall be submitted to the Sponsor. The budget must detail estimated revenues and expenses. Revenues include the base formula amount that will be used for purpose of funding calculations under section 3314.08 of the Ohio Revised Code. The base formula amount for any year shall not exceed the dollar formula amounts specified for the year by the Ohio Department of Education, must be included in the budget, and projected expenses must include the total estimated per pupil expenditure amount for each year. Should the Sponsor request further breakdown of revenue or expenses, or line items for expenses or revenue not projected, the Academy agrees to revise or comply with such requests. Should the Academy be managed by a third-party management company, the School Governing Authority must procure from such management company, sufficient data, to allow the Sponsor to review revenue and expenses as required or permitted by law. Under Ohio Revised Code Section 5705.391, the Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over four to ten years for furniture and equipment.

Net Position

Net Position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. The Academy applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

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.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy participated in the following federal grant programs which are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan (CCIP): Part B-IDEA Special Education, Title I, Title I School Improvement Subsidy A, Title II-A Improving Teacher Quality, Race to the Top and Ed Jobs. In addition, the Academy participated in the Race to the Top Ohio My Voice Initiative which was awarded outside of the Ohio Department of Education's CCIP Plan. The Academy was awarded a total of \$655,689 during the fiscal year ended June 30, 2014 for these programs. Revenues received from these programs are recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met.

Amounts received under these programs for the 2014 fiscal year totaled \$3,346,126.

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.

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end June 30, 2014, the carrying amount of the Academy's deposits totaled \$688,737 and the bank balance was \$903,869. Of the bank balance, \$385,057 was covered by the Federal Deposit Insurance Corporation and \$518,812 of the Academy's bank balance was exposed to custodial risk because it was uninsured.

The Academy has no deposit policy for custodial risk.

Investments

Investments are reported at fair value. As of June 30, 2014, the Academy had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Life Insurance Annuity	<u>\$418,650</u>	3.07

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Academy will not directly invest in securities maturing more than five years from the date of purchase. The Academy does not have an investment policy to address this risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Investments in Life Insurance Annuity is not rated. The Academy does not have a policy to address credit risk for investments.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy has invested 100 percent in the Life Insurance Annuity. The Academy does not have an investment policy to address this risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Academy's investments are either insured and registered in the name of the Academy or at least registered in the name of the Academy. The Academy does not have a policy to address custodial credit risk.

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Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Furniture and Equipment	\$205,344	\$0	\$0	\$205,344
Total Capital Assets being Depreciated	205,344	0	0	205,344
Less Accumulated Depreciation:				
Furniture and Equipment	149,559	20,220	0	169,779
Total Accumulated Depreciation	149,559	20,220	0	169,779
Total Capital Assets, Net	<u>\$55,785</u>	<u>(\$20,220)</u>	<u>\$0</u>	<u>\$35,565</u>

Note 5 - Risk Management

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 2014, the Academy contracted with Agronaut Insurance Company for property, inland marine, crime, general liability, educators legal liability, employers practices liability, automobile coverage and excess liability insurance.

Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$1,000 deductible):	
Building and Contents	\$185,400
Commercial Inland Marine (\$1,000 deductible)	400,000
Commercial Crime (\$500 deductible)	50,000
Commercial General Liability (No deductible):	
General Aggregate Limit	3,000,000
Each Occurrence Limit	1,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$2,500 deductible):	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Employment Practices Liability (\$2,500 deductible):	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Automobile Liability (No deductible)	1,000,000
Commercial Excess Liability (No deductible)	1,000,000

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Settled claims did not exceed commercial coverage in the past two fiscal years and there has not been a significant reduction in coverage from the prior fiscal year.

Note 6 - Purchased Services

In accordance with the sponsorship contract between the Sponsor and the Academy and in accordance with Ohio Revised Code Section 3314.03, the Academy will pay a sponsorship fee to the Sponsor of an amount not to exceed three percent of the total State Foundation Program payments during the fiscal year for oversight and monitoring. The Academy paid \$86,748 to the Sponsor during fiscal year 2014 for these services.

For the fiscal year ended June 30, 2014, purchased service expenses were comprised of the following:

<u>Purchased Services</u>	<u>Amounts</u>
Professional and Technical Services	\$397,489
Property Services	463,125
Travel and Meeting	67,284
Communications	221,218
Utilities Services	47,951
Contracted Craft and Trade Services	25,540
Pupil Transportation Services	16,504
Total Purchased Services	<u>\$1,239,111</u>

Note 7 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension and death

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$85,337, \$94,121, and \$107,205; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

State Teachers Retirement System of Ohio

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2014, 2013, and 2012, were \$198,908, \$199,892, and \$180,087; 100% has been contributed for fiscal year 2014, 2013, and 2012.

Note 8 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,633, \$5,317, and \$6,331; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,853, \$11,975, and \$15,468; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,208, \$15,376, and \$13,853; 100% has been contributed for fiscal year 2014, 2013, and 2012.

Note 9 - Operating Leases

The Academy leases facilities space, copiers and a postage meter under non-cancelable operating leases. Total costs for such leases were \$419,797 for the fiscal year ended June 30, 2014.

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Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The future minimum lease payments for these continuing leases are as follows:

Fiscal Year Ending June 30,	Amount
2015	\$213,257
2016	213,257
Total	<u>\$426,514</u>

Note 10 - Contingencies

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, 2014.

Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

Note 11 - Enrollment FTE

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. The results of the review could result in state funding being adjusted. The Ohio Department of Education has not completed its review of the Academy's enrollment data for fiscal year 2014, so this amount has not been included on the accompanying financial statements.

Note 12 - Federal Tax-Exempt Status

The Academy is a nonprofit corporation that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Note 13 – Change in Accounting Principles

The Academy adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012

Akron Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

and have been implemented by the Academy. The implementation of GASB 65 had no effect on the financial statements.

**AKRON DIGITAL ACADEMY
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ <i>Pass Through Grantor/</i> Program Title	Grant Year	Federal CFDA	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through the Ohio Department of Education:</i>				
ARRA - Race to the Top	2013	84.395	\$ 15,455	\$ 6,725
ARRA - Race to the Top	2014	84.395	-	79,524
ARRA - Race to the Top Ohio My Voice Initiative	2014	84.395	24,000	36,000
ARRA - Race to the Top Ohio TIP Initiative	2013	84.395	97,575	-
ARRA - Race to the Top AVID Initiative	2013	84.395	-	1,338
ARRA - Race to the Top AVID Initiative FY14	2014	84.395	-	9,385
Total Race to the Top			137,030	132,972
Special Education - Grants to States	2013	84.027	35,660	-
Special Education - Grants to States	2014	84.027	121,956	121,956
Total Special Education - Grants to States			157,616	121,956
Title I School Improvement Subsidy A	2013	84.010	359	-
Title I Grants to Local Educational Agencies	2013	84.010	59,609	-
Title I Grants to Local Educational Agencies	2014	84.010	263,892	263,892
Total Title I Grants to Local Educational Agencies			323,860	263,892
Improving Teacher Quality Grant Program	2013	84.367	967	-
Improving Teacher Quality Grant Program	2014	84.367	2,949	2,949
Total Improving Teacher Quality State Grant			3,916	2,949
<i>Total Passed through the Ohio Department of Education</i>			622,422	521,769
Total U.S. Department of Education			622,422	521,769
Total Federal Awards			\$ 622,422	\$ 521,769

The accompanying notes to this schedule are an integral part of this schedule.

**AKRON DIGITAL ACADEMY
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Akron Digital Academy (the Academy's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Akron Digital Academy
Summit County
335 South Main Street
Akron, Ohio 44308

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Akron Digital Academy (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 29, 2015.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

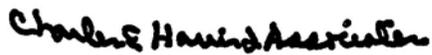
Akron Digital Academy
Summit County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 29, 2015

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Akron Digital Academy
Summit County
335 South Main Street
Akron, Ohio 44308

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Akron Digital Academy (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Akron Digital Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
January 29, 2015

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**AKRON DIGITAL ACADEMY
SUMMIT COUNTY
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA 84.010, Title I Grants to Local Educational Agencies CFDA 84.395 ARRA-Race to the Top
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**AKRON DIGITAL ACADEMY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Academy misclassified several transactions and incorrectly reported several GAAP conversion adjusting entries.	Yes	No longer valid

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Dave Yost • Auditor of State

AKRON DIGITAL ACADEMY

WARREN 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
MAY 7, 2015**