



Dave Yost • Auditor of State



**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2010, 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.

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

The Academy did not maintain sufficient documentation to support \$87,022 recorded as Miscellaneous Other Revenues.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have been required for the Miscellaneous Other Revenues described above, the financial statements referred to above present fairly, in all material respects, the financial position of New Day Academy Boarding and Day School, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 11 to the basic financial statements, the Statement of Net Assets shows the Academy has a net deficit of \$121,442. This condition raises substantial doubt about the Academy's ability to continue as a going concern. Note 11 also describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of the Academy's internal control over financial reporting and our tests of its

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compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 29, 2012

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

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The discussion and analysis of New Day Academy Boarding & Day School's (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

- In total, net assets decreased \$77,505.
- Total assets decreased \$185,165. Cash and cash equivalents decreased \$181,958. Accounts Receivable increased \$9,616. Capital Assets decreased \$12,823.
- Liabilities decreased \$107,660. Accrued wages and benefits decreased \$123,247.

**Using This Financial Report**

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

**Statement of Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2010?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 and fiscal year 2009:

	2010	2009
<b>Assets</b>		
Current Assets	\$9,616	\$181,958
Capital Assets, Net	24,102	36,925
Total Assets	33,718	218,883
<b>Liabilities</b>		
Other Liabilities	155,160	262,820
Total Liabilities	155,160	262,820
<b>Net Assets</b>		
Invested in Capital Assets	24,102	36,925
Unrestricted	(145,544)	(80,862)
Total Net Assets	(\$121,442)	(\$43,937)

Net assets decreased by \$77,505. Over time, net assets can serve as a useful indicator of financial position. At June 30, 2010, the Academy's liabilities exceeded assets by \$121,442.

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**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.

Table 2  
Changes in Net Assets

	2010	2009
Operating Revenues		
Foundation Payments	\$1,007,664	\$1,277,156
Lunchroom Sales	0	64,374
Extracurricular & Lunchroom Sales	4,605	1,811
Student Fees	1,936	4,680
Other	87,022	18,037
Total Operating Revenues	1,101,227	1,366,058
Operating Expenses		
Salaries	726,480	866,587
Fringe Benefits	288,580	274,101
Purchased Services	454,964	335,366
Cost of Sales - Lunchroom	49,368	60,054
Supplies and Materials	56,915	72,004
Depreciation	15,322	14,697
Other	93,462	58,620
Total Operating Expenses	1,685,091	1,681,429
Operating (loss)	(583,864)	(315,371)
Non-Operating Revenue and Expense		
Federal & State Grants	506,359	239,745
Total Non-Operating Revenues	506,359	239,745
Change in Net Assets	(77,505)	(75,626)
Net Assets Beginning of Year	(43,937)	31,689
Net Assets End of Year	(\$121,442)	(\$43,937)

Net assets decreased by \$77,505. This was a result of the Academy's expenses exceeding revenues.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2010**  
(Unaudited)

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**Capital Assets**

At the end of fiscal year 2010, the Academy had \$24,102 invested in Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3  
Capital Assets

	<u>2010</u>	<u>2009</u>
Furniture, Fixtures and Equipment	\$24,102	\$36,925

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Franklin Carter, Treasurer, at the New Day Academy Boarding & Day School, 291 East 222<sup>nd</sup> Street #205, Euclid, Ohio 44123 or email at [franklincarter@allaboutlearningsite.org](mailto:franklincarter@allaboutlearningsite.org).

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**

Statement of Net Assets

June 30, 2010

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<b>Assets</b>	
<b>Current Assets:</b>	
Accounts Receivable	\$9,616
Total Current Assets	<u>9,616</u>
<b>Non-Current Assets:</b>	
Capital Assets:	
Depreciable Capital Assets, Net	24,102
Total Non-Current Assets	<u>24,102</u>
Total Assets	<u>\$33,718</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	3,313
Accrued Wages and Benefits	123,900
Payroll Tax Withholding Liabilities	7,678
Bank Account Liability	5,709
Loan Payable	14,560
Total Current Liabilities	<u>155,160</u>
Total Liabilities	<u>155,160</u>
<b>Net Assets</b>	
Invested in Capital Assets	24,102
Unrestricted	<u>(145,544)</u>
Total Net Assets	<u><u>(\$121,442)</u></u>

See accompanying notes to the basic financial statements

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**

Statement of Revenues, Expenses and

Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

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<b>Operating Revenues</b>	
Foundation Payments	\$1,007,664
Extacurricular Revenues	4,605
Student Fees	1,936
Other	87,022
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Total Operating Revenues	1,101,227
	<hr/>
<b>Operating Expenses</b>	
Salaries	726,480
Fringe Benefits	288,580
Purchased Services	454,964
Cost of Sales - Lunchroom	49,368
Materials and Supplies	56,915
Depreciation	15,322
Other	93,462
	<hr/>
Total Operating Expenses	1,685,091
	<hr/>
Operating Loss	(583,864)
	<hr/>
<b>Non-Operating Revenues and Expenses</b>	
Federal and State Grants	506,359
	<hr/>
Total Non-Operating Revenues and Expenses	506,359
	<hr/>
Change in Net Assets	(77,505)
	<hr/>
Net Assets Beginning of Year	(43,937)
	<hr/>
Net Assets End of Year	(\$121,442)
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See accompanying notes to the basic financial statements

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

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Increase (Decrease) in Cash and Cash Equivalents:

**Cash Flows from Operating Activities:**

Cash Received from Foundation Payments	\$1,007,664
Cash Received from Other Operating Revenues	83,947
Cash Payments to Employees for Services	(1,138,307)
Cash Payments to Suppliers for Goods and Services	(561,247)
Cash Payments for Miscellaneous	(77,874)

Net Cash (Used) Provided by Operating Activities (685,817)

**Cash Flows from Noncapital Financing Activities:**

State and Federal Grants Received	<u>506,359</u>
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Net Cash Provided by Noncapital Financing Activities 506,359

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	<u>(2,500)</u>
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Net Cash Used Capital and Related Financing Activities (2,500)

Net Increase (Decrease) in Cash and Cash Equivalents (181,958)

Cash and Cash Equivalents at Beginning of Year 181,958

Cash and Cash Equivalents at End of Year 0

Reconciliation of Operating Income to Net Cash Provided

Used for Operating Activities:

Operating Income (Loss) (583,864)

Adjustments To Reconcile Operating Income (Loss) to Net Cash

Provided (Used) for Operating Activities:

Depreciation 15,322

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	(9,616)
Increase (Decrease) in Accounts Payable	1,028
Increase (Decrease) in Loans Payable	14,560
Increase (Decrease) in Accrued Wages	(123,247)

Total Adjustments (101,953)

Net Cash (Used) Provided by Operating Activities (\$685,817)

See accompanying notes to the basic financial statements

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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**NOTE 1 - DESCRIPTION OF THE ACADEMY**

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New Day Academy Boarding & Day School (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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

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

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

**A. Basis of Presentation**

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

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

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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**B. Measurement Focus**

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

**C. Basis of Accounting**

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange 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.

**D. Budgetary Process**

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

**E. Capital Assets and Depreciation**

The Academy maintains a capitalization threshold of one thousand dollars.

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

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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

Automobiles	4 years
Furniture and Equipment	5 - 7 years

**F. Net Assets**

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

**G. Operating Revenues and Expenses**

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

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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At fiscal year end June 30, 2010, the carrying amount of the Academy's deposits totaled (\$5,709). As of June 30, 2010, all of the Academy's bank balance is under the limit of Federal Depository Insurance Corporation Coverage.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

*Investments:* The Academy had no investments at June 30, 2010, or during the fiscal year.



**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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**NOTE 4 - CAPITAL ASSETS**

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Capital asset activity for the fiscal year ended June 30, 2010 was:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10
Furniture, Fixtures, and Equipment	\$74,649	\$2,500	\$0	\$77,149
Total Capital Assets being Depreciated	74,649	2,500	0	77,149
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	37,724	15,323	0	53,047
Total Accumulated Depreciation	37,724	15,323	0	53,047
Total Capital Assets, Net	<u>\$36,925</u>	<u>(\$12,823)</u>	<u>\$0</u>	<u>\$24,102</u>

**NOTE 5 - RISK MANAGEMENT**

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**Property and Liability**

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the Academy contracted with Indiana Insurance Company for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

**Workers Compensation**

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

**NOTE 6 – PENSION PLANS**

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**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](http://www.ohsers.org) under *Employers/Audit Resources*.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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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, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$27,644, \$16,944, and \$16,002, respectively; 60% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**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](http://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.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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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 31<sup>st</sup> 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 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.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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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 10% for members and 14% for employers. 13% was used to fund pension obligations.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$83,698, \$82,860, and \$91,544, respectively; 51% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**NOTE 7 - POST EMPLOYMENT BENEFITS**

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**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.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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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 2010 was \$96.40; 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 2010, the actuarially required allocation was .76%. Academy contributions for the year ended June 30, 2010, 2009 and 2008 were \$1,501, \$908 and \$857, respectively, which equaled the required contributions each year.

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, 2010, the health care allocation was .46%. 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 2010, the minimum compensation level was established at \$35,800. 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 contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$908, \$5,035, and \$3,909, respectively; 60% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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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](http://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](http://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 year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy contributions for the years ended June 30, 2010, 2009, and 2008 were \$5,821, \$5,919, and \$6,539, respectively; 51% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

### **NOTE 8 – CONTINGENCIES**

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#### **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, 2010.

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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**State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2010, the review was completed in January 2010. For the Academy, there was an insignificant variance between the amount received to date and the final payment made to the Academy. This variance will have no effect on the financial standing of the Academy.

**NOTE 9 – OPERATING LEASE**

The Academy is a lessee for a ten-month building operating lease for the period of September 1, 2009 through June 30, 2010 with the Shore Cultural Centre (the lessor). Rent is payable in monthly installments of \$1,584 and is due on the first day of each month.

**NOTE 10 - PURCHASED SERVICES**

For the year ended June 30, 2010, the purchased service expenses were comprised of the following:

Sponsor Fees	\$30,098
Facility & Equipment Rentals	150,855
Telephone	7,927
Postage	3,977
Advertising	6,762
Liability Insurance	13,688
Other Administrative:	
Instruction & Professional Services	73,291
Support	
Treasury Services	35,000
Payroll Expenses	6,905
Janitorial Services	2,365
Human Resource & Other Purchased Services	<u>124,096</u>
Total Purchased Services	<u><u>\$454,964</u></u>

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

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**NOTE 11 – POTENTIAL FINANCIAL DISTRESS**

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The Academy experienced a net deficit of \$121,442 for the fiscal year ending June 30, 2010. The Treasurer and Board plan to reduce the payroll and healthcare expense, while increasing student enrollment. This will be accomplished by increasing the class size of those grade levels that are not at capacity and eliminating staff in supporting roles who do not have the FTE to support the expense. This will allow the Academy monies at years end to support accrued wages and benefits with using the new years resources.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

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The Academy paid \$268 to Terrance Walton II, Terrance Walton's son, for advertising services, which included creating flyers, mailings, and other forms of advertisement for the Academy.

The Academy paid \$161 to Mark Walton, Terrance Walton's other son, for maintenance and other odd jobs such as moving equipment and furniture at the Academy.

The Academy paid \$30 to Kinja Walton, Terrance Walton's wife, who is an enrollment specialist and assists with EMIS submission. The \$30 paid to Kinja Walton was a reimbursement for supplies she purchased for students of the Academy.





# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2012, wherein we noted there was insufficient evidence to support amounts reported as Miscellaneous Other Revenues. In addition, we noted the Academy had a net deficit balance of \$121,442 at June 30, 2010. We also expressed substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting 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 opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 29, 2012.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

November 29, 2012

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2010-001**

**Condition of Accounting Records – Material Noncompliance and Material Weakness**

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted the following:

- The original cash basis general ledger presented for the fiscal year 2010 audit did not match the amounts used in the GAAP conversion. Adjustments were made to the cash basis numbers after the work was performed. A new conversion was required using the updated cash figures;
- There was one instance where a check sampled for testing was recorded in the general ledger as being written on July 1, 2009 when the actual date of the check was March of 2009;
- There was one instance where a check sampled appeared on the subsequent year check register as being written on August 31, 2010 while the check was actually written on May 29, 2010;
- The Academy did not maintain evidence of paying out termination benefits to one of its former employees;
- One entire payroll period in August 2011 was improperly excluded from the accrued wages balance;
- The Academy did not maintain pay-ins, fee schedules, and all deposit slips;
- Miscellaneous other revenue receipts were included within all other receipts and are not separated by revenue type;
- Eight out of 60 non-payroll disbursements did not include a check image (fronts and backs); and
- One out of 60 non-payroll invoices totaling \$100 were not provided.

Management failed to provide all financial and support documentation; consequently, we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's Miscellaneous Revenues on the financial statements.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of theft and other fraudulent activities.

The Academy's management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

We recommend the Academy implement and maintain controls over accounting records and transactions.

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

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

**FINDING NUMBER 2010-001**

(Continued)

**Condition of Accounting Records – Material Noncompliance and Material Weakness (Continued)**

**Official's Response:**

The problem associated with miscellaneous revenue occurred because the Treasurer did not itemize the accounts for miscellaneous revenue. Instead the Treasurer used one USAS account for all local revenues.

Moving forward miscellaneous revenues will be documented in the following manner:

1. Local revenue accounts shall be assigned USAS codes that differentiate the various forms of local revenues.
2. Receipts and deposits shall be labeled referring to the various forms of local revenue to which they may apply.
3. A binder or folder will be created for each local revenue account detailing receipts, deposits and other documentation.

**FINDING NUMBER 2010-002**

**Financial Reporting – Material Weakness**

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

The Academy provided financial reports such as the general ledgers, GAAP work papers, trial balances and bank reconciliations that were incorrect and did not accurately reflect the Academy's financial transactions during fiscal year 2010. This resulted in the following adjustments being made to the financial statements, notes and, where applicable, to the Academy's accounting records:

- The Academy recorded Food Service Reimbursements as operating revenue and did not include it as a state & federal grant. This misposting required an adjustment in the amount of \$79,425;
- The Academy recorded Federal Stabilization funds as a miscellaneous operating revenue. This misposting required an adjustment in the amount of \$68,513;
- The Academy recorded Loans Payable as miscellaneous operating revenue. This misposting required an adjustment in the amount of \$14,560;
- The Academy recorded an adjustment of accounts payable as miscellaneous operating revenue. This misposting required an adjustment in the amount of \$30,907; and
- The Academy recorded Foundation Revenue Funds as miscellaneous operating revenue. This misposting required an adjustment in the amount of \$4,413.

A lack of controls can go undetected and decrease the reliability of financial data throughout the year. In this case, mispostings resulted in errors and irregularities totaling \$197,818.

We recommend the Academy take appropriate measures to ensure that all financial reports are in agreement, that all balances reflect the actual financial activity of the Academy and that all annual financial reports depict the accurate financial position of the Academy.

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

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

**FINDING NUMBER 2010-002**

(Continued)

**Financial Reporting – Material Weakness (Continued)**

**Official's Response:**

After the GAAP was completed by the converter; the treasurer reclassified funds in order to complete certain annual reports. The treasurer did not resend the reclassified information to the converter and as a result the GAAP financials did not match the general ledger when submitted to the auditor.

Moreover, Food Services revenues and Federal Stabilization revenues were posted as other operating capital. This incorrect posting of revenues was an oversight of both the Treasurer and Converter. Moving forward the Treasurer will work more closely with the converter to ensure all revenues are recorded properly.

**FINDING NUMBER 2010-003**

**Entity-wide Bank Reconciliation – Material Weakness**

Reconciliation of the Academy's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Academy. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Academy's records should be accounted for.

We noted the Academy does not perform a monthly Academy-wide bank-to-book reconciliation. The only reconciliations completed during the fiscal year are individually by account.

During our testing of cash, we noted the following:

- Checks were not issued in sequential order;
- One of the account reconciliations included reconciling items that did not exist. The cleared balance on this reconciliation also did not tie to the actual bank balance;
- Two of the accounts had no apparent reconciling items and did not match the bank balances; and
- An adjustment of \$4,197 was required to the financial statements to accurately reflect the Academy's cash balance.

Failure to reconcile bank accounts and resolve discrepancies may result in errors in budgeting and financial reporting. Bank and investment balances should be reconciled with the Academy's cash fund balances on a monthly basis.

We recommend the Academy complete a monthly Academy-wide cash reconciliation which compares reconciled bank and investment balances to the Academy book balances. Also, the Treasurer should perform an additional review of the Academy-wide cash and investment reconciliation. This should include reviewing support for reconciling items.

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

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

**FINDING NUMBER 2010-003**

(Continued)

**Entity-wide Bank Reconciliation – Material Weakness (Continued)**

**Official's Response:**

There was a bank account that was not reconciled because the Treasurer did not have immediate access to that account. This was because the account did not contain state funds, but private funding for student activities. However because these funds were included on the GAAP report and were also on the schools financial statements , we understand that all such accounts must be reconciled on a timely bases.

Moving forward the treasurer will have immediate access to all accounts and reconciliations will be completed on a monthly basis for all accounts and presented to the Board for approval.

**FINDING NUMBER 2010-004**

**Finding For Recovery – Material Noncompliance**

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

On June 25, 2010, the Academy had a debit card transaction of \$1,548 to Expedia.com for a hotel room at the Embassy Suites Chicago - Downtown Lakefront. This was for the 2010 National Charter Schools Conference in Chicago from June 28, 2010 to July 1, 2010. The Academy paid hotel charges for two additional nights totaling \$619 past the end of the conference.

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against Terrance Walton, Headmaster, and his bonding company, Ohio Farmers Insurance Co., in the amount of \$619 and in favor of New Day Academy Boarding and Day School.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2010

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

(Continued)

FINDING NUMBER 2010-004

(Continued)

**Finding For Recovery – Material Noncompliance (Continued)**

Accordingly, Franklin Carter, Treasurer, and his bonding company, Platte River Insurance Company, are jointly and severally liable in the amount of \$619 and in favor of New Day Academy Boarding and Day School.

**Official's Response:**

The Board understands and recognizes the benefit in either arriving a day earlier or leaving a day later when attending out of town workshop or conference, and therefore has given Mr. Walton the authority to do so. One such reason is related to travel, and in this particular case it would be justified as Mr. Walton drove to Chicago, which is a significant drive. Another justification would be to do networking and research to get ideas and suggestions from other schools or individuals in the field, in places other than the Cleveland area, which was one of the goals for Mr. Walton on the Chicago trip.

As it is our expectation, that Mr. Walton the Headmaster of New Day Academy would seek out best practices, explore innovative approaches, and creative ways to enhance the educational experience of the school the board authorizes such expenditure and believes it to be a necessary expenditure to meet the previously mentioned expectations of the position.

**Auditor's Conclusion:**

Mr. Walton stayed two additional nights after the conference had ended, not including the night of the last day of the conference. One of the extra nights was a weekend night. No supporting documentation was provided to support any activities that would constitute networking or research of school related activities. Therefore we could not determine the extended time spent was for a proper public purpose.

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# Dave Yost • Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 13, 2012**