



**Auditor of State  
Betty Montgomery**



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2005 .....	7
Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2005 .....	8
Statement of Cash Flows for the Year Ended June 30, 2005.....	9
Notes to the Basic Financial Statements .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Directors:

We have audited the accompanying financial statements of the Kent Digital Academy, Portage County, Ohio (the School), as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kent Digital Academy, Portage County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2006, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Kent Digital Academy  
Portage County  
Independent Accountants' Report  
Page 2

Management's Discussion and Analysis is not a required part of the basic financial statements but is/are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

September 28, 2006

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Unaudited)**

---

This discussion and analysis of the Kent Digital Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2005. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis ("the MD & A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD & A.

**Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- Total net assets decreased \$51,020 in the fiscal year 2005, which represents a 22 percent decrease from fiscal year 2004.
- Total assets decreased \$58,515 which represents a 24 percent decrease from the prior year.
- Total liabilities decreased \$7,495 which represents a 73 percent decrease from the prior year.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the Academy did financially during the fiscal year ended June 30, 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

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

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Unaudited)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2005 compared to 2004:

*Table 1  
Net Assets*

	<u>Net Assets</u> <u>2005</u>	<u>Net Assets</u> <u>2004</u>
<b>Assets:</b>		
<i>Current and other assets</i>	\$ 117,533	\$ 205,621
<i>Capital assets, net of depreciation</i>	<u>70,720</u>	<u>41,147</u>
<i>Total assets</i>	<u>188,253</u>	<u>246,768</u>
<b>Liabilities:</b>		
<i>Current and other liabilities</i>	<u>2,814</u>	<u>10,309</u>
<b>Net Assets:</b>		
<i>Invested in capital assets, net of debt</i>	70,720	41,147
<i>Restricted</i>	9,604	110,297
<i>Unrestricted</i>	<u>105,115</u>	<u>85,015</u>
<i>Total net assets</i>	<u>\$ 185,439</u>	<u>\$ 236,459</u>

Total assets were \$188,253 a decrease of \$58,515 or 24% from the previous year. This decrease is primarily due to decreases in cash held by the Academy. Cash amounted to \$110,455, state and federal grants receivable amounted to \$7,029, accrued interest amounted to \$49 and net capital assets totaled \$70,720.

Total liabilities, which consisted of accounts payable, equaled \$2,814.



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Unaudited)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 compared to 2004, as well as a listing of revenues and expenses.

*Table 2  
Changes in Net Assets*

	2005	2004
<b>Operating revenues:</b>		
Foundation payment	\$ 162,103	\$ 154,096
Other operating revenues	67	-
Total operating revenues	162,170	154,096
<b>Non operating revenues:</b>		
State and federal grants	10,810	265,344
Interest earnings	1,786	67
Total non operating revenues	12,596	265,411
Total revenues	174,766	419,507
<b>Operating expense:</b>		
Purchased services	195,326	186,215
Materials and supplies	2,913	4,507
Depreciation	13,690	6,559
Other	13,857	120
Total operating expenses	225,786	197,401
Net income (loss)	(51,020)	222,106
Net assets, beginning of year	236,459	14,353
Net assets, end of year	\$ 185,439	\$ 236,459

Total net assets decreased \$51,020 in the fiscal year 2005, which represents a 22 percent decrease from fiscal year 2004, as a result of significant decreases in revenues from various federal, state and local grant programs. Community schools receive no support from local taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are the primary support for the Academy's existence.

**Budgeting**

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

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Unaudited)**

---

**Capital Assets**

The Academy had \$70,720 invested in capital assets (net of accumulated depreciation). Capital assets consist of \$90,969 in furniture, fixtures and equipment. These capital assets were off-set by \$20,249 in accumulated depreciation resulted in net capital assets of \$70,720. See Note 5 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

**Debt**

The Academy did not incur any debt during the fiscal year ended June 30, 2005.

**Current Financial Issues**

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

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

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

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2005**

---

**ASSETS**

**Current assets:**

Cash	\$ 110,455
Receivables:	
Accrued interest	49
State and federal grants	<u>7,029</u>
Total current assets	<u>117,533</u>

**Noncurrent assets:**

Capital assets, net of accumulated depreciation	<u>70,720</u>
Total assets	<u>\$ 188,253</u>

**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	<u>\$ 2,814</u>
------------------	-----------------

**Net assets:**

Invested in capital assets	70,720
Restricted	9,604
Unrestricted	<u>105,115</u>
Total net assets	<u><u>185,439</u></u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

<b><u>Operating revenues:</u></b>	
State foundation	\$ 162,103
Other operating revenues	67
Total operating revenue	<u>162,170</u>
<b><u>Operating expenses:</u></b>	
Purchased services	195,326
Materials and supplies	2,913
Depreciation	13,690
Other	13,857
Total operating expenses	<u>225,786</u>
Operating loss	<u>(63,616)</u>
<b><u>Non-operating revenues:</u></b>	
State and federal grants	10,810
Interest	1,786
Total non-operating revenues	<u>12,596</u>
Net income (loss)	(51,020)
Net assets at beginning of year	<u>236,459</u>
Net assets at end of year	<u>\$ 185,439</u>

See accompanying notes to the basic financial statements.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

---

<b>Cash flows from operating activities:</b>	
Cash from the State of Ohio	\$ 162,103
Cash payments to suppliers for goods and services	(205,533)
Cash payment for other operating expenses	(14,058)
Other operating revenues	67
Net cash used for operating activities	<u>(57,421)</u>
<b>Cash flows from noncapital financing activities:</b>	
State and Federal grants	<u>78,781</u>
Net cash provided by noncapital financing activities	<u>78,781</u>
<b>Cash flows from capital and related financing activities:</b>	
Cash payments from capital acquisitions	<u>(43,263)</u>
Net cash used for capital and related financing activities	<u>(43,263)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>1,737</u>
Net cash provided by investing activities	<u>1,737</u>
Net decrease in cash	(20,166)
Cash at beginning of year	<u>130,621</u>
Cash at end of year	<u>\$ 110,455</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	<u>(63,616)</u>
<b>Adjustments to reconcile operating loss to net cash used for operating activities:</b>	
Depreciation	13,690
Decrease in liability: Accounts payable	<u>(7,495)</u>
Total adjustments	<u>6,195</u>
Net cash used for operating activities	<u>\$ (57,421)</u>

See accompanying notes to the basic financial statements.

**This page intentionally left blank.**

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

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

Kent Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Board of Education of the Kent City School District (the Sponsor) for a period of five years commencing with fiscal year July 1, 2002 through June 30, 2003. The Academy operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

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

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

**A. Basis of Presentation**

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

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

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

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

**C. Budgetary Process**

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

**D. Cash**

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

**E. Estimates**

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

**F. Capital Assets and Depreciation**

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

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

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

**G. Tax Exemption Status**

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



**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

**H. Net Asset**

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

**I. Intergovernmental Revenues**

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated. This review resulted in an underpayment to the Academy in the amount of \$1,763.

**NOTE 3 - DEPOSITS**

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the Academy's deposits was \$110,455. The Academy's bank balance of \$111,804 was exposed to custodial credit risk as follows:

<i>Uninsured and collateral held by pledging bank's trust department and not in the Academy's name</i>	\$	11,804
--	----	--------

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2005 consisted of accrued interest and State and Federal grants. All State and Federal grants are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. The State and Federal grants receivable consisted of several federal grants totaling \$7,029.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

A summary of the Academy's capital assets at June 30, 2005, follows:

	<i>Balance 6/30/2004</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 6/30/2005</i>
<i>Furniture, fixtures and equipment</i>	\$ 47,706	\$ 43,263	-	\$ 90,969
<i>Less: Accumulated depreciation</i>	(6,559)	(13,690)	-	(20,249)
<i>Net capital assets</i>	\$ 41,147	\$ 29,573	-	\$ 70,720

**NOTE 6 - PURCHASED SERVICES**

For the period July 1, 2004 through June 30, 2005, purchased service expenses were payments for services rendered by various vendors as follows:

<i>Property services</i>	\$ 3,552
<i>Professional services</i>	191,774
<i>Total</i>	\$ 195,326

**NOTE 7 – CONTRACT WITH TRECA**

On June 17, 2004, the Academy entered into a contract, for the 2004-05 school year, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational, assessment and accountability plans. All personnel providing services provided by TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to its employees. All personnel providing such services shall possess any certification or licensure which may be required by law.

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

The Community School Sponsorship Contract between Kent Digital Academy and Kent CSD provides for payments that the Academy had to make to the Kent CSD during fiscal year 2005. The payments totaled \$93,244 for supplies, facility use, and reimbursement of personnel costs for the services of Kent CSD employees who work directly with Kent Digital Academy.

**KENT DIGITAL ACADEMY  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

---

**NOTE 9 - RISK MANAGEMENT**

**Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a \$1,000 deductible and a \$1 million limit per occurrence and a general aggregate limit of \$2 million.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

**B. Litigation**

A lawsuit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that the Community Schools are part of the state public educational systems and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE**

During the year 2005, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposits and Investment Risk Disclosures".

**This page intentionally left blank.**



## **Auditor of State Betty Montgomery**

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

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

To the Board of Directors:

We have audited the financial statements of Kent Digital Academy, Portage County (the School) as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Kent Digital Academy  
Portage County  
Independent Accountants' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

September 28, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**KENT DIGITAL ACADEMY**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2006**