



**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited the accompanying basic financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows 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 January 6, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We previously issued a report dated November 16, 2004, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2004. While we did not opine on the internal control over financial reporting or on compliance, these reports describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read them in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

January 6, 2006

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

The discussion and analysis of the Quaker 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. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2005, are as follows:

- Net assets totaled \$188,679, an increase of \$14,508 over fiscal year 2004.
- Total assets were \$221,047, an increase of \$28,738 from fiscal year 2004.
- Liabilities totaled \$32,368, a increase of \$14,230 form fiscal year 2004.
- Operating revenues equaled \$230,352 and non-operating revenues were \$147,602.
- Operating expenses amounted to \$363,446.

Using this Annual Report

This annual report consists of the MD & A, the basic financial statements and the notes to the basic financial 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.

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 fiscal year 2005?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

Table 1 provides a summary of the Academy's net assets for fiscal years 2005 and 2004 as follows:

Table 1
Net Assets at June 30,

	2005	2004
Assets		
Current Assets	\$221,047	\$192,309
Liabilities		
Current Liabilities	32,368	18,138
Net Assets		
Restricted for Other Purposes	0	96,458
Unrestricted	188,679	77,713
Total Net Assets	\$188,679	\$174,171

Total assets were \$221,047. Cash amounted to \$206,445 and intergovernmental receivable amounted to \$14,602.

Total liabilities were \$32,368 and were made up of accounts payable.

The net impact was an increase of net assets of \$14,508.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

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

Table 2
Change in Net Assets

	2005	2004
Operating Revenues		
Foundation Payments	\$230,352	\$100,643
Non-Operating Revenues		
Grants	147,602	150,000
Total Revenues	<u>377,954</u>	<u>250,643</u>
Operating Expenses		
Purchased Services	238,072	123,443
Materials and Supplies	20,165	3,029
Capital Outlay	105,209	0
Total Operating Expenses	<u>363,446</u>	<u>126,472</u>
<i>Increase in Net Assets</i>	<u>\$14,508</u>	<u>\$124,171</u>

The Academy's activities consist of enterprise activity. Community schools receive no support from taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are, by far, the primary support for the Academy's students.

For the Future

The Academy began fiscal year 2005 with the Tri-Rivers Educational Computer Association providing most of its instructional, administrative, and fiscal services, much like a management company. The Academy will be working towards providing instructional, administrative, and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the instructional, administrative, and fiscal services through its Sponsor, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the Academy's five-year plan.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

The Academy has entered into a service contract for fiscal year 2006 with its Sponsor. In agreement with this contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, hourly staff to provide support services to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed \$62,000 for fiscal year 2006.

The Academy received its initial State Foundation Program payment in March of 2004; therefore, the Academy only received four months of State Foundation Program payments in fiscal year 2004, but received the full twelve month payments in fiscal year 2005.

In addition, the Academy expects student enrollment for fiscal year 2006 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2006 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program to increase substantially.

The Academy will apply for additional start-up monies of \$150,000 under the Ohio Charter Schools Federal Sub-grant Program during fiscal year 2006. The Academy anticipates receiving approval from the Ohio Department of Education for these grant monies. These grant funds may be used to enhance the operations of the Academy.

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

Contacting the Academy's Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Steven D. Sherer, Treasurer, at Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at sherers@new-phila.k12.oh.us.

Quaker Digital Academy
Statement of Net Assets
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$206,445	\$107,309
Receivables:		
Intergovernmental	<u>14,602</u>	<u>85,000</u>
<i>Total Assets</i>	<u>221,047</u>	<u>192,309</u>
Liabilities:		
Current Liabilities		
Accounts Payable	<u>32,368</u>	<u>18,138</u>
<i>Total Liabilities</i>	<u>32,368</u>	<u>18,138</u>
Net Assets		
Restricted for Other Purposes	0	96,458
Unrestricted	<u>188,679</u>	<u>77,713</u>
<i>Total Net Assets</i>	<u><u>\$188,679</u></u>	<u><u>\$174,171</u></u>

See accompanying notes to the basic financial statements

Quaker Digital Academy
*Statement of Revenues,
Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Foundation payments	<u>\$230,352</u>	<u>\$100,643</u>
<i>Total Operating Revenues</i>	<u>230,352</u>	<u>100,643</u>
Operating Expenses		
Purchased Services	238,072	123,443
Materials and Supplies	20,165	3,029
Capital Outlay	<u>105,209</u>	<u>0</u>
<i>Total Operating Expenses</i>	<u>363,446</u>	<u>126,472</u>
<i>Operating Loss</i>	<u>(133,094)</u>	<u>(25,829)</u>
Non-Operating Revenues		
Grants - Federal	<u>147,602</u>	<u>150,000</u>
<i>Change in Net Assets</i>	14,508	124,171
<i>Net Assets Beginning of Year</i>	<u>174,171</u>	<u>50,000</u>
<i>Net Assets End of Year</i>	<u><u>\$188,679</u></u>	<u><u>\$174,171</u></u>

See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2005 and 2004

	2005	2004
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from Foundation Payments	\$230,352	\$100,643
Cash Payments for Goods and Services	(349,216)	(108,334)
<i>Net Cash Provided (Used) by Operating Activities</i>	<i>(118,864)</i>	<i>(7,691)</i>
CashFlows from Noncapital Financing Activities		
Grants Received	218,000	65,000
<i>Net Increase in Cash and Cash Equivalents</i>	<i>99,136</i>	<i>57,309</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>107,309</i>	<i>50,000</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$206,445</i>	<i>\$107,309</i>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$133,094)	(\$25,829)
Adjustments:		
Increase (Decrease) in Liabilities:		
Accounts payable	14,230	18,138
<i>Net Cash Provided (Used) by Operating Activities</i>	<i>(\$118,864)</i>	<i>(\$7,691)</i>
See accompanying notes to the basic financial statements		

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Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

Note 1 – Description of the Academy and Reporting Entity

The Quaker Digital Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the New Philadelphia City School District (“the Sponsor”) for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy’s program.

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2003. The Academy began operations on January 15, 2004. 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 Sponsor provided and maintained space at its Administration Building at no cost for the Academy during fiscal year 2005.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The Board consists of three members who hold administrative positions with the Sponsor, one public educator or public official not employed by the Sponsor, and one individual representing the interest of parents and students. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

A service contract for fiscal year 2005 between the Academy and the Sponsor was also approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor \$59,000 during fiscal year 2005 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy’s personnel services, which provided services to 42 students, were purchased from outside organizations during fiscal year 2005.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to the enterprise activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, to its enterprise activities, subject to the same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. 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 Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total 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 basic financial statements. The Academy's basic 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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 the Ohio Revised Code Chapter 5705, except for 5705.391 as it relates to five-year forecasts and spending plans, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the basic financial statements.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All revenues and expenses not meeting these definitions are reported as non-operating.

G. Intergovernmental Revenues

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

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 during the fiscal year ended June 30, 2005, to offset start-up costs of the Academy.

H. Estimates

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

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

Note 3 – Deposits

At fiscal year end, the carrying amount of the Academy's deposits was \$206,445 and the bank balance was \$210,290. Of the bank balance, \$100,000 was covered by federal depository insurance and \$110,290 was collateralized with securities held in a single financial institution collateral pool in the name of the respective depository bank and pledged as a pool of collateral against all the public monies it holds. Non-compliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

Note 4 – Receivables

Receivables at June 30, 2005, consisted of intergovernmental federal grants and entitlements. All receivables are considered collectible in full due to the stable condition of the programs. All receivables are expected to be collected within one fiscal year.

Note 5 – Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the Academy was covered under the Sponsor's insurance for property, liability, and inland marine coverage.

Settled claims of the Sponsor have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

Note 6 – State School Funding Decision

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

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

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

Note 7 – Agreements with the Tri-Rivers Educational Computer Association

The Academy entered into agreements with the Tri-Rivers Educational Computer Association ("TRECA"), which is a data acquisition site and member of the Ohio Education Computer Network established in accordance with Ohio Revised Code Section 3301.075.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

On September 18, 2003, the Academy entered into a Comprehensive Services Agreement with TRECA for management and consulting services. This agreement's term includes the 2003-2004 and 2004-2005 school years. This agreement allowed the Academy to utilize TRECA's technical resources and experience in matters relating to the creation of an online community school, including the funding of such schools through available federal grant authority. TRECA provided the Academy with planning, design, and implementation services as necessary for the establishment of the Academy, including assistance in the preparation of any applications for funding from the Federal Charter School Grant Program. TRECA also provided planning, instructional, supervisory/administrative, special education and technical services sufficient to effectively implement the Academy's educational plan and assessment and accountability plan set forth in the contract with its Sponsor.

All personnel providing services to the Academy on behalf of TRECA under the Comprehensive Services Agreement are considered employees of TRECA, and TRECA shall be solely responsible for all payroll functions.

The technical services provided by TRECA to the Academy includes access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning to TRECA any such equipment provided to students by TRECA and not promptly returned to TRECA by a student upon graduation, withdrawal, or expulsion from the Academy. In the event that the Academy is unable to recover such equipment or the equipment is recovered in other than good working condition, and provided the student has been enrolled in the Academy for fewer than twenty-one school days, the Academy shall reimburse TRECA for the costs of such equipment in the amount of \$1,500 per student.

The Academy paid TRECA a fee of \$60,000 for the 2003-2004 school year and a fee of \$25,000 for the 2004-2005 school year. In addition, the Academy will pay TRECA \$3,500 per full-time high school student and \$2,500 per full-time kindergarten through eighth grade student enrolled in the Academy per school year. For fiscal year 2005, this amounted to \$89,017.

The Academy also contracted with TRECA for special education and related services provided to a student enrolled in the Academy with an Individual Education Plan. The Academy will pay TRECA for these services based on TRECA's actual costs instead of the per student amount described in the previous paragraph.

To obtain TRECA's audited June 30, 2005 financial statements please contact Scott Armstrong, Treasurer at scott@treaca.org.

Note 8 – Contingencies

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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 of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

B. Litigation

suit 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 Common Pleas 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 community schools are part of the states public educational system and the matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy is not presently determinable.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed during the 2004 fiscal year of operations and zero errors were found in enrollment, withdrawals and attendance. The Academy does not anticipate any significant adjustments to state funding for fiscal year 2005, as a result of the reviews which have not yet been completed.

Note 9 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2005 with its Sponsor for the following services: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel and staff to provide instructional services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was \$59,000 for fiscal year 2005.

Note 10 – Purchased Services

For the fiscal year ended June 30, 2004, purchased services expenses were as follows:

Professional and Technical Services	\$238,072
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**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**

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited the financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated January 6, 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 Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. 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 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Quaker Digital Academy
Tuscarawas 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 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

January 6, 2006



**Auditor of State
Betty Montgomery**

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QUAKER DIGITAL ACADEMY

TUSCARAWAS 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
FEBRUARY 9, 2006**