



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

River Valley Digital Academy
Marion County
197 Brocklesby Road
Caledonia, Ohio 43314

To the Board of Directors:

We have audited the accompanying basic financial statements of the River Valley Digital Academy, Marion County, Ohio (the Academy), a component unit of the River Valley Local School District, as of and for the year ended June 30, 2006, 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 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 River Valley Digital Academy, Marion County, Ohio, as of June 30, 2006, 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 December 18, 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. 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.

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 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

December 18, 2006

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of River Valley Digital Academy's (RVDA) financial performance provides an overall review of RVDA's financial activities for the fiscal year ended June 30, 2006. Readers should also review the basic financial statements and notes to enhance their understanding of RVDA's financial performance.

Highlights

The River Valley Digital Academy began its first year of operation in fiscal year 2005 with the main program offered for high school students. This program was the after school assistance program (ASAP). In fiscal year 2006, RVDA added a middle school program which was called the RISE program - reaching individual students everyday. The RVDA also contracts with the TRECA Digital Academy for students outside the scope of its programs.

Using the Basic Financial Statements

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 change in net assets reflect how RVDA did financially during fiscal year 2006. 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 current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of RVDA's net assets for fiscal year 2006 and fiscal year 2005:

Table 1
Net Assets

	<u>2006</u>	<u>2005</u>
<u>Assets:</u>		
Current Assets	\$60,167	\$45,195
Capital Assets, Net	107,579	47,360
Total Assets	<u>167,746</u>	<u>92,555</u>
<u>Liabilities:</u>		
Current Liabilities	<u>1,500</u>	<u>0</u>
<u>Net Assets:</u>		
Invested in Capital Assets	107,579	47,360
Unrestricted	58,667	45,195
Total Net Assets	<u>\$166,246</u>	<u>\$92,555</u>

The majority of the net assets consists of computers that were purchased as a part of a federal grant through the Ohio Department of Education.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005.

Table 2
Change in Net Assets

	<u>2006</u>	<u>2005</u>
<u>Operating Revenues:</u>		
Foundation	\$231,575	\$175,900
<u>Non-Operating Revenues:</u>		
Operating Grants	157,429	111,422
Total Revenues	<u>389,004</u>	<u>287,322</u>
<u>Operating Expenses:</u>		
Purchased Services	253,315	208,559
Materials and Supplies	44,537	3,720
Depreciation	13,175	8,574
Other Operating Expenses	4,286	132
Total Expenses	<u>315,313</u>	<u>220,985</u>
Increase in Nets Assets	73,691	66,337
Net Assets at Beginning of Year	92,555	26,218
Net Assets at End of Year	<u>\$166,246</u>	<u>\$92,555</u>

The increase in operating revenue (state foundation receipts) was the result of adding the middle school RISE program. Increases in expenses were a result of the staff associated with that program.

Budgeting

RVDA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2006, RVDA had \$107,579 invested in capital assets (net of accumulated depreciation). During fiscal year 2006, RVDA purchased \$73,000 in new computers. For further information regarding RVDA's capital assets, refer to Note 4 to the basic financial statements.

Current Issues

Enrollment increased to forty-three students for fiscal year 2006. RVDA was also notified in October 2006 that it had received the third phase of the Public Charter Schools Program sub-grant of \$150,000.

Contacting RVDA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of RVDA's finances and to reflect RVDA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon Malcom, Treasurer, River Valley Digital Academy, 197 Brocklesby Road, Caledonia, Ohio 43314.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets:

Current Assets:

Cash and Cash Equivalents	\$59,514
Intergovernmental Receivable	653
Total Current Assets	<u>60,167</u>

Non-Current Assets:

Depreciable Capital Assets, Net	<u>107,579</u>
Total Assets	<u>167,746</u>

Current Liabilities:

Intergovernmental Payable	<u>1,500</u>
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Net Assets:

Invested in Capital Assets	107,579
Unrestricted	<u>58,667</u>
Total Net Assets	<u><u>\$166,246</u></u>

See Accompanying Notes to Basic Financial Statements

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Operating Revenues:</u>	
Foundation	<u>\$231,575</u>
<u>Operating Expenses:</u>	
Purchased Services	253,315
Materials and Supplies	44,537
Depreciation	13,175
Other Operating Expenses	<u>4,286</u>
Total Operating Expenses	<u>315,313</u>
Operating Loss	(83,738)
<u>Non-Operating Revenues:</u>	
Operating Grants	<u>157,429</u>
Change in Net Assets	73,691
Net Assets at Beginning of Year	<u>92,555</u>
Net Assets at End of Year	<u><u>\$166,246</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$231,575
Cash Payments for Services	(241,915)
Cash Payments for Supplies	(44,537)
Cash Payments for Other Expenses	(4,286)
Net Cash Used for Operating Activities	<u>(59,163)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	156,776
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Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(73,394)</u>
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Net Increase in Cash and Cash Equivalents	24,219
Cash and Cash Equivalents at Beginning of Year	<u>35,295</u>
Cash and Cash Equivalents at End of Year	<u><u>\$59,514</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$83,738)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	13,175
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	9,900
Increase in Intergovernmental Payables	1,500
Net Cash Used for Operating Activities	<u><u>(\$59,163)</u></u>

See Accompanying Notes to the Basic Financial Statements

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**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Note 1 - Description of the School

River Valley Digital Academy (RVDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. RVDA is an approved tax-exempt organization under Sections 501(c)(3) and 170(c)(1) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect RVDA's tax exempt status. RVDA's objective is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and prepare students to become lifelong learners and productive citizens. RVDA is operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. RVDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. RVDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

RVDA was approved for operation under a contract with the River Valley Local School District (the Sponsor) for a five-year period commencing on the first day of the 2002 academic year. RVDA became operational on September 25, 2005. The Sponsor is responsible for evaluating the performance of RVDA and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of RVDA with the Treasurer of the Sponsor performing the role of Treasurer for RVDA.

RVDA operates under the direction of a five-member Board of Directors made up of the Superintendent, the High School Principal, and the Technology Coordinator of the River Valley Local School District and two members from the public. The first public member is a public educator or other public official representing a governmental entity that desires to further the establishment and operation of RVDA. The second public member is a representative appointed by the Tri-Rivers Educational Computer Association (TRECA). The member appointed by TRECA will eventually be replaced by a person who represents the interests of parents and students served by RVDA. The third member shall be an at large community member. The Sponsor makes up a majority of the Board and can impose its will on RVDA; therefore, RVDA is a component unit of the River Valley Local School District. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget; developing policies to guide the operation of RVDA; securing funding; and maintaining a commitment to the vision, mission, and belief statements of RVDA. During fiscal year 2006, RVDA purchased services from TRECA for providing the planning, design, implementation, instructional, administrative, and technical services for the RVDA.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of RVDA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. RVDA 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. RVDA does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. Following are the more significant of RVDA's accounting policies.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

RVDA's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

RVDA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

RVDA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of RVDA are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how RVDA finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. RVDA's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which RVDA receives value without directly giving equal value in return, such as grants and entitlements, are 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 RVDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to RVDA 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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by community school's contract with its Sponsor. The contract between RVDA and its Sponsor prescribes a regular review of the budget.

E. Cash and Cash Equivalents

Cash held by RVDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2006, RVDA had no investments.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. RVDA maintains a capitalization threshold of five hundred dollars. RVDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Capital assets, currently consisting of equipment, are depreciated over five to thirty years.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by RVDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. RVDA first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. RVDA did not have any net assets restricted by enabling legislation at fiscal year end.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of RVDA. For RVDA, these revenues are foundation payments from the State. Operating expenses are necessary costs incurred to provide the service that is the primary activity of RVDA. All revenues and expenses not meeting this definition are reported as non-operating.

J. 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 - Deposits

At fiscal year end, the carrying amount of the RVDA's deposits was \$59,514 and the bank balance was \$61,538. The entire bank balance was covered by federal depository insurance.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Depreciable Capital Assets				
Equipment	\$55,934	\$73,394	\$0	\$129,328
Less Accumulated Depreciation	(8,574)	(13,175)		(21,749)
Capital Assets, Net	<u>\$47,360</u>	<u>\$60,219</u>	<u>\$0</u>	<u>\$107,579</u>

Note 5 - Risk Management

RVDA 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 2006, RVDA obtained the following insurance coverages through the River Valley Local School District's insurance policy.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$2,000,000
Aggregate	4,000,000

Settled claims have not exceeded this commercial coverage for fiscal year 2005 or 2006.

Note 6 - Fiscal Agent

The sponsorship agreement states the Treasurer of the River Valley Local School District shall serve as the fiscal officer of RVDA.

The Treasurer of the River Valley Local School District shall perform the following functions while serving as the Treasurer of RVDA:

- A. Maintain the financial records of RVDA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of RVDA; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 7 - Contracts with TRECA

RVDA entered into two contracts with the Tri-Rivers Educational Computer Association (TRECA). The first contract, a one-year contract entered into on June 24, 2005, was for management consulting services. Under this contract, the following terms were agreed upon:

1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to substantially implement RVDA's educational plan and RVDA's assessment and accountability plan.
2. All personnel providing services to RVDA on behalf of 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 such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to RVDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. RVDA shall secure the services of an Executive Director, who shall be the chief operating officer, with primary responsibility for day-to-day operations of RVDA.
5. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
6. In exchange for the services and support (including equipment) provided by TRECA, RVDA shall pay to TRECA \$3,600 per full-time student enrolled in RVDA per year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$73,204 was paid to TRECA.

The second contract, a one-year contract entered into on June 24, 2005, was for curricular and consulting services. Under this contract, TRECA is to assist RVDA with the development of an intensive program entitled RISE (Reaching Individual Students Every Day). RVDA is to pay TRECA a mutually agreed upon amount for these services.

To obtain TRECA's June 30, 2006, audited financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org.

Note 8 - Related Party Transactions

RVDA is a component unit of the Sponsor (River Valley Local School District). RVDA and the River Valley Local School District entered into a 5-year sponsorship agreement on September 10, 2002, whereby terms of the sponsorship were established. Pursuant to this agreement, River Valley Local School District's Treasurer serves as the Digital Academy's fiscal officer.

**RIVER VALLEY DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 8 - Related Party Transactions (continued)

In fiscal year 2006, payments made by RVDA to River Valley Local School District were \$71,285. These represent payments of \$66,760 for administrative services provided by River Valley Local School District to RVDA and \$4,525 for reimbursements for supplies and equipment purchases made by River Valley Local School District for RVDA.

Payments made by RVDA to TRECA in fiscal year 2006 totaled \$165,788. This consists of the \$73,204 in student charges, \$62,084 for the consulting and curriculum contract, and \$30,500 in miscellaneous fees.

Note 9 - Contingencies

A. Grants

RVDA received financial assistance from federal and state agencies in the form of grants. The expenditure 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of RVDA at June 30, 2006.

B. Litigation

A lawsuit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. This case is pending. The effect of this suit, if any, on RVDA is not presently determinable.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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 conclusions of this review could result in State funding being adjusted. As a result of this review, there was no adjustment for fiscal year 2006 for RVDA.



**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**

River Valley Digital Academy
Marion County
197 Brocklesby Road
Caledonia, Ohio 43314

To the Board of Directors:

We have audited the basic financial statements of the River Valley Digital Academy, Marion County, Ohio (the Academy), a component unit of the River Valley Local School District, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 18, 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 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*.

River Valley Digital Academy
Marion 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

December 18, 2006



Mary Taylor, CPA
Auditor of State

RIVER VALLEY DIGITAL ACADEMY

MARION 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 27, 2007**