



**Mary Taylor, CPA**  
Auditor of State



**CARDINAL DIGITAL ACADEMY  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cardinal Digital Academy  
Stark County  
5362 State Route 183, NE  
Magnolia, Ohio 44643

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cardinal Digital Academy, Stark County, Ohio, (the Digital Academy) a component unit of the Sandy Valley Local School District, as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Digital Academy'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cardinal Digital Academy, Stark County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Digital Academy will continue as a going concern. As discussed in Note 9 to the financial statements, the Sponsor suspended operation of the Digital Academy effective July 1, 2007 due to lack of funding.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2008, on our consideration of the Digital 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 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

January 16, 2008

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The management's discussion and analysis of the Cardinal Digital Academy's (the "Digital Academy") financial performance provides an overall review of the Digital Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Digital Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Digital Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets were \$17,689 at June 30, 2007.
- The Digital Academy had operating revenues of \$146,467 and operating expenses of \$156,276 for fiscal year 2007. The Digital Academy also received \$3,000 in state grants during the year, \$2,400 in other non-operating revenue and \$475 in interest revenue. Total change in net assets for fiscal year 2007 was a decrease of \$3,934.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Digital Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Digital Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Digital Academy's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Digital Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Digital Academy as a whole, the *financial position* of the Digital Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Digital Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The table below provides a summary of the Digital Academy's net assets for fiscal years 2007 and 2006.

<b>Net Assets</b>		
	<u>2007</u>	<u>2006</u>
<b><u>Assets</u></b>		
Current assets	\$ 12,208	\$ 95,571
Capital assets, net	<u>5,481</u>	<u>7,674</u>
<b>Total assets</b>	<u>17,689</u>	<u>103,245</u>
<b><u>Liabilities</u></b>		
Intergovernmental payable	<u>-</u>	<u>81,622</u>
<b>Total liabilities</b>	<u>-</u>	<u>81,622</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	5,481	7,674
Restricted	4,233	1,233
Unrestricted	<u>7,975</u>	<u>12,716</u>
<b>Total net assets</b>	<u>\$ 17,689</u>	<u>\$ 21,623</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Digital Academy's net assets totaled \$17,689.

At year-end, capital assets represented 30.99% of total assets. Capital assets consisted of computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

In the prior year, the Digital Academy had an intergovernmental payable to the Sponsor district for services rendered. In the current year, the payment was made to the Sponsor district before fiscal year-end; therefore, there is no intergovernmental payable amount outstanding at June 30, 2007.



**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

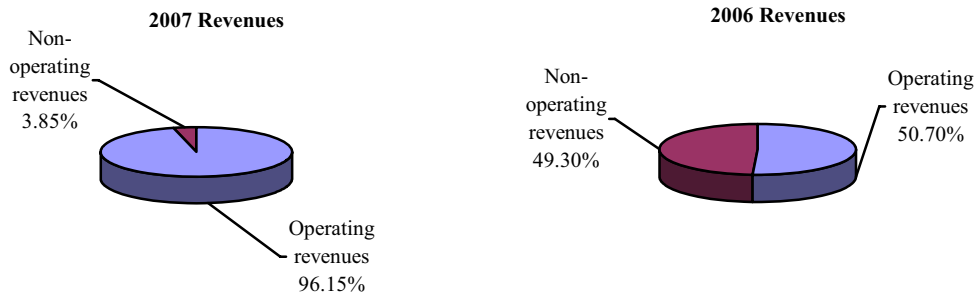
The table below shows the changes in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	<u>2007</u>	<u>2006</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 146,467	\$ 157,878
Total operating revenue	<u>146,467</u>	<u>157,878</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	147,489	189,281
Materials and supplies	-	105,199
Other	6,594	6,298
Depreciation	<u>2,193</u>	<u>2,193</u>
Total operating expenses	<u>156,276</u>	<u>302,971</u>
<b><u>Non-operating revenues:</u></b>		
Federal and state grants	3,000	153,040
Interest income	475	479
Other non-operating revenue	<u>2,400</u>	<u>-</u>
Total non-operating revenues	<u>5,875</u>	<u>153,519</u>
Change in net assets	<u>\$ (3,934)</u>	<u>\$ 8,426</u>

The Digital Academy had no operating expenses for materials and supplies during fiscal year 2007. This is due to the lack of federal grants received during 2007. In the prior year, the federal grants supported the expenses for materials and supplies.

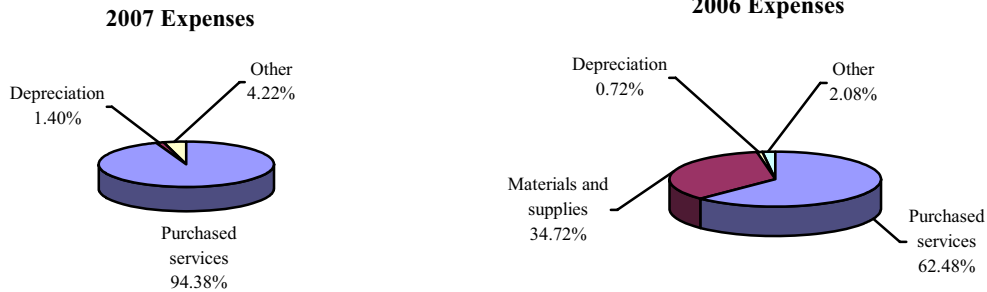
The chart below illustrates the revenues for the Digital Academy during fiscal years 2007 and 2006.



**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The charts below illustrate the expenses for the Digital Academy for fiscal years 2007 and 2006.



**Capital Assets**

At June 30, 2007, the Digital Academy had \$5,481 invested in computers and equipment. See Note 4 to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The Digital Academy is sponsored by Sandy Valley Local School District. The Digital Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, online learning to students.

On July 9, 2007, the Sandy Valley Local Board of Education suspended the operation of the Digital Academy due to lack of new funding. The corporate charter remains open and the financial records remain open in the hopes that new Federal and State funding will be made available for resuming operation.

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

This financial report is designed to provide our clients and creditors with a general overview of the Digital Academy's finances and to show the Digital Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Lattavo, Treasurer, Cardinal Digital Academy, 5362 State Rt 183 NE, Magnolia, OH 44643.

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents. . .	\$ 12,208
Total current assets . . . . .	<u>12,208</u>

Non-current assets:

Capital assets, net. . . . .	<u>5,481</u>
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Total assets . . . . .	<u>17,689</u>
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**Net Assets:**

Invested in capital assets. . . . .	5,481
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Restricted for:

State funded programs. . . . .	4,233
Unrestricted. . . . .	<u>7,975</u>

Total net assets . . . . .	<u>\$ 17,689</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 146,467
Total operating revenue . . . . .	<u>146,467</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	147,489
Other operating expenses . . . . .	6,594
Depreciation . . . . .	2,193
Total operating expenses . . . . .	<u>156,276</u>
Operating loss . . . . .	<u>(9,809)</u>
<b>Non-operating revenues:</b>	
State grants . . . . .	3,000
Interest income . . . . .	475
Other non-operating revenues . . . . .	2,400
Total non-operating revenues . . . . .	<u>5,875</u>
Change in net assets . . . . .	(3,934)
<b>Net assets at beginning of year . . . . .</b>	<u>21,623</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 17,689</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 146,467
Cash payments to suppliers for goods and services. . .	(229,111)
Cash payments for other expenses . . . . .	(6,203)
	(88,847)
Net cash used in operating activities . . . . .	(88,847)
 <b>Cash flows from noncapital financing activities:</b>	
State grants. . . . .	3,000
Other non-operating activities. . . . .	2,400
	5,400
Net cash provided by noncapital financing activities . . . . .	5,400
 <b>Cash flows from investing activities:</b>	
Interest received . . . . .	475
	475
Net cash provided by investing activities . . . . .	475
Net decrease in cash and cash equivalents . . . . .	(82,972)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>95,180</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 12,208</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
<b>operating activities:</b>	
Operating loss . . . . .	\$ (9,809)
Adjustments:	
Depreciation. . . . .	2,193
Changes in assets and liabilities:	
Decrease in prepayments . . . . .	391
(Decrease) in intergovernmental payable . . . . .	(81,622)
	(88,847)
Net cash used in operating activities . . . . .	\$ (88,847)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 1 - DESCRIPTION OF THE DIGITAL ACADEMY**

The Cardinal Digital Academy (the "Digital Academy") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Sandy Valley Local School District (the "Sponsor") addressing the needs of students. The Digital 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 Digital Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Digital Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Digital Academy's tax-exempt status.

The Digital Academy provides opportunities for students who desire a program of online instruction in an independent environment that does not include the most ancillary components of the more traditional education. The Digital Academy uses the latest technology to reach a diverse student population. This population includes students within the Sponsor's district that have specific career interests in a technology field. The students may be children who need an alternative to the traditional classroom. Enrollment is limited to students within the attendance area of the Sponsor. The Digital Academy uses the services of the Sponsor and the Stark-Portage Area Computer Consortium (SPARCC) to assist with overall programming and operations.

The Digital Academy was approved under contract with the Sponsor for a period of five years commencing July 1, 2003. The Digital Academy began operations on April 1, 2004. The Sponsor is responsible for evaluating the performance of the Digital Academy and has the authority to deny renewal of the contract at its expiration. The Governing Authority is responsible for the operations of the Digital Academy.

The Digital Academy operates under the direction of a five-member Board of Directors made up of members appointed by Sandy Valley Local School District Board of Education; therefore, the Digital Academy is a component unit of the Sandy Valley Local School District. The Board is composed of the Sponsor's Superintendent together with two other licensed administrators who are employed by the Sponsor. The Board also includes two other persons who are neither officers nor staff members of the Digital Academy or Sponsor to serve as voting members. One of these members is a public educator and the other is the Director of SPARCC. The Board is responsible for carrying out the 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 qualification of teachers.

The Sponsor, under a purchased services basis with the Digital Academy, provides planning, instructional, administrative and technical services. Personnel providing services to the Digital Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions. The Digital Academy provides services to approximately twenty-five students.

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The basic financial statements (BFS) of the Digital Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The Digital Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Digital Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Digital Academy has elected not to apply these FASB Interpretations. The Digital Academy's significant accounting policies are described below.

**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) 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.

Operating revenues are those revenues that are generated directly from the primary activity of the Digital Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Digital Academy. All revenues and expenses not meeting this definition are reported as non-operating.

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. 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 Digital Academy's contract with its Sponsor. The contract between the Digital Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**D. Cash**

All monies received by the Digital Academy are deposited in a demand deposit account.



**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Digital Academy maintains a capitalization threshold of \$5,000. The Digital Academy 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. Equipment is depreciated over five years.

**F. 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**G. Intergovernmental Revenue**

The Digital Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Digital Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis. State grants for the fiscal year 2007 received by the Digital Academy was \$3,000.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Digital Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Digital Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Estimates**

The preparation of financial statements in conformity with GAAP 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 June 30, 2007, the carrying amount of the Digital Academy's deposits was \$12,208. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, the entire amount of the Digital Academy's bank balance of \$12,208 was covered by Federal Deposit Insurance Corporation.

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

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2007</u>
Furniture and equipment	\$ 10,963	\$ -	\$ -	\$ 10,963
Less: accumulated depreciation	<u>(3,289)</u>	<u>(2,193)</u>	<u>-</u>	<u>(5,482)</u>
Capital assets, net	<u>\$ 7,674</u>	<u>\$ (2,193)</u>	<u>\$ -</u>	<u>\$ 5,481</u>

**NOTE 5 - RECEIVABLES**

The Digital Academy participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Digital Academy was awarded \$150,000 from April 1, 2003 through September 30, 2003 to offset start-up costs of the Digital Academy. Revenue received from this program is recognized as federal and state grants in the accompanying financial statements. The Digital Academy received \$105,000 and \$45,000 during fiscal year 2004 and 2003, respectively, under this program. No amounts under this program were receivable at June 30, 2007.

**CARDINAL DIGITAL ACADEMY  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 6 - RISK MANAGEMENT**

The Digital Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2007, the Digital Academy was named on the Sponsor's policy for property and general liability insurance. The Digital Academy provides employee bond coverage through Leonard Insurance Services in the following amounts: Treasurer \$50,000 and Executive Director \$20,000.

**NOTE 7 - PURCHASED SERVICES**

For fiscal year ended June 30, 2007, purchased services expenses were as follows:

Professional and technical services	\$ <u>147,489</u>
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**NOTE 8 - CONTINGENCIES**

**A. Grants**

The Digital Academy 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 the Digital Academy at June 30, 2007.

**B. Litigation**

A suit 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. The case is still pending. The effect of this suit, if any, on the Digital 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 the 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 Digital Academy was reviewed two times during this initial year of operations and zero errors were found in enrollment, withdrawals and attendance. The Digital Academy does not anticipate any significant adjustments to state funding for fiscal year 2007, as a result of the reviews which have yet to be completed.

**NOTE 9 – SUSPENDED OPERATIONS**

On July 9, 2007, the Sponsor suspended operations of the Digital Academy effective July 1, 2007 due to lack of funding per Resolution #116-07. The Digital Academy's five year agreement with the Sponsor ends on June 30, 2008.

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# Mary Taylor, CPA

Auditor of State

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

Cardinal Digital Academy  
Stark County  
5362 State Route 183, NE  
Magnolia, Ohio 44643

To the Board of Directors:

We have audited the financial statements of the Cardinal Digital Academy, Stark County, Ohio, (the Digital Academy) a component unit of the Sandy Valley Local School District, as of and for the year ended June 30, 2007, which collectively comprise the Digital Academy's basic financial statements and have issued our report thereon dated January 16, 2008 in which we noted the Digital Academy has a going concern issue since the Sponsor suspended operations of the Digital Academy effective July 1, 2007 due to lack of funding . 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 Digital Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Digital Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Digital Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Digital Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Digital Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Digital Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We noted a certain matter that we reported to the Digital Academy's management in a separate letter dated January 16, 2008.

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

As part of reasonably assuring whether the Digital 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*.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 16, 2008



**Mary Taylor, CPA**  
Auditor of State

**CARDINAL DIGITAL ACADEMY**

**STARK 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 15, 2008**