

Canton Local Digital Academy
Audited Financial Statements

June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Directors
Canton Local Digital Academy
4526 Ridge Avenue
Canton, Ohio 44707

We have reviewed the *Independent Auditor's Report* of the Canton Local Digital Academy, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Canton Local Digital Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 6, 2009

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**CANTON LOCAL DIGITAL ACADEMY
CANTON, OHIO**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

December 15, 2008

Board of Directors
Canton Local Digital Academy
4526 Ridge Avenue, S.E.
Canton, OH 44707

Independent Auditor's Report

We have audited the accompanying basic financial statements of the Canton Local Digital Academy, a component unit of Canton Local School District, Stark County, Ohio, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Canton Local Digital 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Canton Local Digital Academy as of June 30, 2008, 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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 10 to the financial statements, the Academy has suspended operations as of July 1, 2008. This raises substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the Canton Local 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Canton Local Digital Academy
Independent Auditor's Report

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have 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.

Rea & Associates, Inc.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The discussion and analysis of the Canton Local 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, 2008. 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 2008 are as follows:

- In total, net assets were \$3,482 at June 30, 2008.
- The Digital Academy had operating revenues of \$155,401 and operating expenses of \$150,898 for fiscal year 2008. Total change in net assets for the fiscal year was an increase of \$4,503.

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 2008?" 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 will take 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.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The table below provides a summary of the Digital Academy's net assets for fiscal year 2008 and 2007.

	Net Assets	
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets	\$ 3,482	\$ 58,510
Total assets	<u>3,482</u>	<u>58,510</u>
<u>Liabilities</u>		
Current liabilities	<u>-</u>	<u>59,531</u>
Total liabilities	<u>-</u>	<u>59,531</u>
<u>Net Assets</u>		
Restricted	38	20,036
Unrestricted (deficit)	<u>3,444</u>	<u>(21,057)</u>
Total net assets (deficit)	<u>\$ 3,482</u>	<u>\$ (1,021)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Digital Academy's net assets totaled \$3,482.

A portion of the Digital Academy's net assets, \$38, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,444 may be used to meet the Academy's ongoing obligation to the students and creditors.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

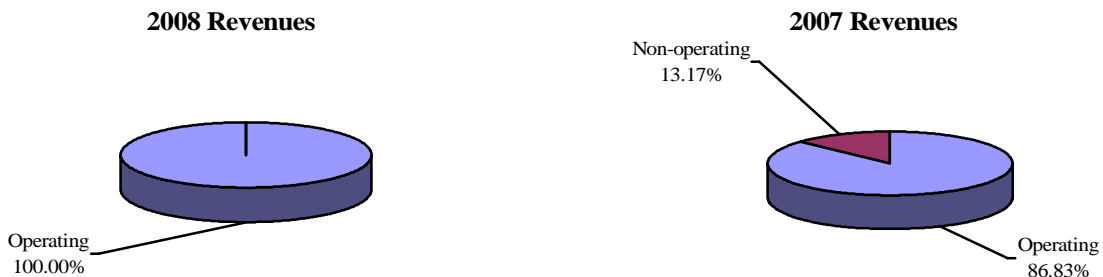
The table below shows the changes in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
State foundation	\$ 155,401	\$ 189,470
Other	-	13,473
Total operating revenue	<u>155,401</u>	<u>202,943</u>
<u>Operating Expenses:</u>		
Purchased services	137,172	359,173
Materials and supplies	7,878	5,290
Other	<u>5,848</u>	<u>3,521</u>
Total operating expenses	<u>150,898</u>	<u>367,984</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	-	<u>30,778</u>
Total non-operating revenues	<u>-</u>	<u>30,778</u>
Change in net assets	4,503	(134,263)
Net assets (deficit) at beginning of year	<u>(1,021)</u>	<u>133,242</u>
Net assets (deficit) at end of year	<u>\$ 3,482</u>	<u>\$ (1,021)</u>

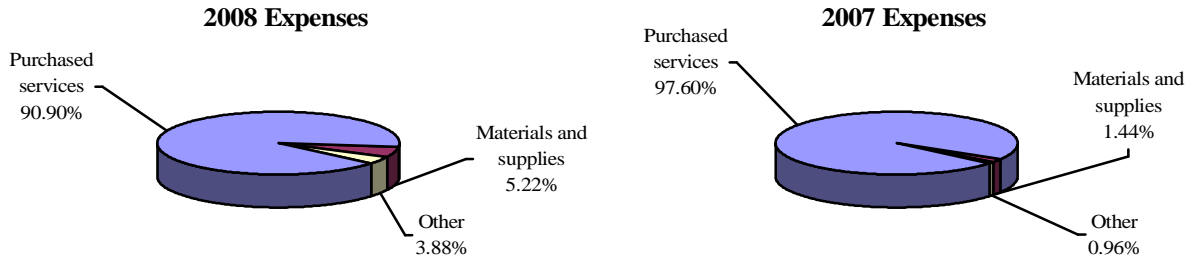
The decrease in federal and state grants is due to the ending of the federal planning grants funds for the Digital Academy. The Digital Academy received \$150,000 a year, for three years, to plan, equip, and implement the community school plan. For fiscal year 2007 and 2008, the Digital Academy relied on State foundation funds. Expenses decreased during fiscal year 2008 as less revenues were available.

The charts below and on the following page illustrate the revenues and expenses for the Digital Academy during fiscal 2008 and 2007.



CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Current Financial Related Activities

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

On April 11, 2008 the Board of Directors met and voted to suspend operations effective July 1, 2008.

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. A. Michael Bichsel, Treasurer, Canton Local Digital Academy, 4526 Ridge Avenue, Canton, Ohio 44707.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 3,160
Prepayments	<u>322</u>
Total assets	<u>3,482</u>
 Net Assets:	
Restricted for:	
Federally funded programs	38
Unrestricted.	<u>3,444</u>
Total net assets	<u><u>\$ 3,482</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating revenues:	
State foundation.	\$ 155,401
	<hr/>
Operating expenses:	
Purchased services.	137,172
Materials and supplies	7,878
Other.	5,848
	<hr/>
Total operating expenses.	150,898
	<hr/>
Operating income	4,503
	<hr/>
Net assets (deficit) at beginning of year . . .	(1,021)
	<hr/>
Net assets at end of year	\$ 3,482
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Cash received from State foundation.	\$ 155,401
Cash payments to suppliers for goods and services . .	(196,512)
Cash payments for materials and supplies	(7,878)
Cash payments for other expenses	(5,848)
	(54,837)
Net cash used in operating activities	(54,837)
Cash flows from noncapital financing activities:	
Federal and state grants.	22,999
	22,999
Net decrease in cash and cash equivalents	(31,838)
Cash and cash equivalents at beginning of year . . .	34,998
Cash and cash equivalents at end of year.	\$ 3,160
	3,160
Reconciliation of operating income to net cash used in operating activities:	
Operating income.	\$ 4,503
Changes in assets and liabilities:	
Decrease in prepayments.	191
Decrease in intergovernmental payable	(59,531)
	(59,340)
Net cash used in operating activities	\$ (54,837)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE DIGITAL ACADEMY

The Canton Local 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 Canton Local School District (the “Sponsor”) addressing the needs of students in grades K-12. 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 is considered a component unit of the Canton Local School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Digital Academy provides opportunities for students who desire a program of online instruction in an independent environment that does not include most ancillary components of a 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, 2007 through June 30, 2012 after which, the Digital Academy must apply for an additional contract with the Sponsor. The Digital Academy began operations on January 13, 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 (the “Board”). 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 eight students.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 elected not to apply FASB Statements and Interpretations issued after November 30, 1989. 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.

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. The difference between total assets and liabilities is defined as 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.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

The Digital Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, the Digital Academy did not have any assets restricted by enabling legislation.

F. 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 they are earned, essentially the same as the fiscal year.

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.

G. Prepayments

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

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. The Digital Academy had no nonoperating revenues or expenses in the current fiscal year.

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.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - DEPOSITS

At June 30, 2008, the carrying amount and the bank balance of the Digital Academy's deposits was \$3,160. The entire balance was covered by federal depository insurance.

NOTE 4 - RECEIVABLES

At June 30, 2008, the Digital Academy had no receivables.

NOTE 5 - 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 2008, 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 Board of Directors \$20,000.

Settled claims have not exceeded coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 6,900
Instructional services	<u>130,272</u>
Total	<u><u>\$ 137,172</u></u>

NOTE 7 - SERVICE AGREEMENT

The Community School Sponsorship Contract (the "Contract") between the Digital Academy and Canton Local School District outlined the specific payments to be made by the Digital Academy to Canton Local School District during fiscal year 2008. The Contract stated that the two parties agreed to pay mutually agreed upon amounts, including fees for any services provided to the Digital Academy by Canton Local School District. The following payments were made in fiscal year 2008 from the Digital Academy to Canton Local School District:

Educational services	\$ 137,172
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Additionally, the Contract allows, based on mutual agreement, for the payment of \$150 per student per year from the Digital Academy to the sponsor, in accordance with Ohio Revised Code Section 3314.08.

CANTON LOCAL DIGITAL ACADEMY
(A Component Unit of Canton Local School District)
STARK COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Digital Academy at June 30, 2008.

B. 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 the second year of operations and one error was found in enrollment, withdrawals and attendance. The Digital Academy does not anticipate significant adjustments to State funding for fiscal year 2008. However, as of the date of this report the amount of the adjustment could not be determined. Therefore no liability is reported as of June 30, 2008.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the Digital Academy has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Digital Academy.

NOTE 10 - GOING CONCERN

On April 11, 2008, the Board approved to suspend operations effective July 1, 2008.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

December 15, 2008

Board of Directors
Canton Local Digital Academy
4526 Ridge Avenue, S.E.
Canton, OH 44707

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

We have audited the basic financial statements of the Canton Local Digital Academy, a component unit of Canton Local School District, Stark County, Ohio as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008, which includes a going concern paragraph. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Canton Local Digital Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Canton Local Digital Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Canton Local 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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Canton Local Digital Academy
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Canton Local Digital Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Directors of Canton Local Digital Academy and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

**CANTON LOCAL 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
JANUARY 20, 2009**