



**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

New Day Academy Boarding and Day School  
Cuyahoga County  
291 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

To the Board of Directors:

We have audited the accompanying basic financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy), 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 Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The amounts reported on the Statement of Cash Flows specifically Cash Flows from Operating Activities are inaccurate. Operating cash payments do not agree to the cash basis records. Also, the notes to the financial statements did not include the following required disclosures:

- Subsequent events which occurred after the report date; and
- Disclosure of operating leases;

In addition, the pension disclosure note was inaccurately reported. The Academy's required contributions for pension obligations was not accurately reported.

In our opinion, except for the effects of such adjustments, if any, as would be necessary to accurately record the amounts reported as cash flows from operating activities and except for the omission and inaccuracies reported in the notes to the financial statements described above, the financial statements referred to above present fairly in all material respects, the financial position of the New Day Academy Boarding and Day School, Cuyahoga County, Ohio, as of June 30, 2007 and the respective changes in financial position and cash flows thereof 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 2, 2009, 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 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

December 2, 2009

**NEW DAY ACADEMY BOARDING & DAY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)**

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

**Financial Highlights**

- In total, net assets increased \$101,443.
- Total assets increased \$230,181. Cash and cash equivalents increased \$196,837. Capital Assets increased \$40,624.
- Liabilities increased \$128,738. Accrued wages and benefits increased \$131,140.

**Using This Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

**Statement of Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2007?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 and fiscal year 2006:

	2007	2006
<b>Assets</b>		
Current Assets	\$205,877	\$16,320
Capital Assets, Net	43,209	2,585
Total Assets	<u>249,086</u>	<u>18,905</u>
<b>Liabilities</b>		
Long-Term Liabilities	0	0
Other Liabilities	139,773	11,035
Total Liabilities	<u>139,773</u>	<u>11,035</u>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	43,209	2,585
Unrestricted	66,104	5,285
Total Net Assets	<u>\$109,313</u>	<u>\$7,870</u>

Net assets increased by \$101,443. Over time, net assets can serve as a useful indicator of financial position. At June 30, 2007, the Academy's assets exceeded liabilities by \$109,313.

Table 2 shows the changes in net assets for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses.

Table 2  
Changes in Net Assets

	2007	2006
Operating Revenues		
Foundation Payments	\$903,910	\$342,562
Lunchroom Sales	7,555	0
State Special Education Program	0	3,000
Extracurricular & Lunchroom Sales	1,961	13,538
Student Fees	5,556	3,266
Other	19,855	0
Total Operating Revenues	<u>938,827</u>	<u>362,366</u>
Operating Expenses		
Salaries	587,107	175,611
Fringe Benefits	139,532	30,442
Purchased Services	389,749	133,737
Cost of Sales - Lunchroom	43,375	9,277
Supplies and Materials	38,987	17,890
Depreciation	11,105	199
Other	22,007	10,660
Total Operating Expenses	<u>1,231,862</u>	<u>377,816</u>
Operating (loss)	(293,025)	(15,450)
Non-Operating Revenue and Expense		
Federal & State Grants	394,468	23,320
Total Non-Operating Revenues	<u>394,468</u>	<u>23,320</u>
Change in Net Assets	101,443	7,870
Net Assets Beginning of Year	<u>7,870</u>	<u>0</u>
Net Assets End of Year	<u><u>\$109,313</u></u>	<u><u>\$7,870</u></u>

Net assets increased by \$101,443. This was a result of the Academy's revenues exceeding expenses. Revenues and expenses increased significantly due to the Academy's transition from a start-up to an established school.

### Capital Assets

At the end of fiscal year 2007, the Academy had \$43,209 invested in Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3  
Capital Assets

	<u>2007</u>	<u>2006</u>
Furniture, Fixtures and Equipment	<u>\$43,209</u>	<u>\$2,585</u>
Total	<u><u>\$43,209</u></u>	<u><u>\$2,585</u></u>

For more information on capital assets see Note 4 to the basic financial statements.

### Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Franklin Carter, Treasurer, at the New Day Academy Boarding & Day School, 7601 Harrison Avenue, Mt. Healthy, Ohio 45231 or email at [franklincarter@allaboutearningsite.org](mailto:franklincarter@allaboutearningsite.org).

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
 Statement of Net Assets  
 June 30, 2007

**Assets**

**Current Assets:**

Equity in Pooled Cash and Cash Equivalents	\$205,877
Total Current Assets	205,877

**Non-Current Assets:**

**Capital Assets:**

Depreciable Capital Assets, Net	43,209
Total Non-Current Assets	43,209

Total Assets	\$249,086
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**Liabilities**

**Current Liabilities:**

Accounts Payable	\$3,425
Accrued Wages and Benefits	131,140
Payroll Tax Withholding Liabilities	5,208
Total Current Liabilities	139,773

Total Liabilities	139,773
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	43,209
Unrestricted	66,104

Total Net Assets	\$109,313
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See accompanying notes to the basic financial statements

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
Statement of Revenues, Expenses and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2007

<b>Operating Revenues</b>	<b>\$903,910</b>
Foundation Payments	7,555
Lunchroom Sales	1,961
Extacurricular Revenues	5,556
Student Fees	19,855
Other	<u>          </u>
<b>Total Operating Revenues</b>	<b><u>938,837</u></b>
<b>Operating Expenses</b>	<b>587,107</b>
Salaries	139,532
Fringe Benefits	389,749
Purchased Services	43,375
Cost of Sales - Lunchroom	38,987
Materials and Supplies	11,105
Depreciation	22,007
Other	<u>          </u>
<b>Total Operating Expenses</b>	<b><u>1,231,862</u></b>
Operating Loss	<u>(293,025)</u>
<b>Non-Operating Revenues and Expenses</b>	
Federal and State Grants	<u>394,468</u>
<b>Total Non-Operating Revenues and Expenses</b>	<b><u>394,468</u></b>
Change in Net Assets	101,443
Net Assets Beginning of Year	<u>7,870</u>
Net Assets End of Year	<b><u>\$109,313</u></b>

See accompanying notes to the basic financial statements

**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2007

Increase (Decrease) in Cash and Cash Equivalents:

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Foundation Payments	\$911,190
Cash Received from Student Fees	5,556
Cash Received from Other Operating Revenues	\$29,371
Cash Payments to Employees for Services	(591,145)
Cash Payments to Suppliers for Goods and Services	(476,925)
Cash Payments for Miscellaneous	(21,678)
	<hr/>
Net Cash (Used) Provided by Operating Activities	(143,631)
<b>Cash Flows from Noncapital Financing Activities:</b>	
State and Federal Grants Received	394,468
	<hr/>
Net Cash Provided by Noncapital Financing Activities	394,468
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(54,000)
Capital Lease Payments Including Interest	-
	<hr/>
Net Cash Used Capital and Related Financing Activities	(54,000)
Net Increase (Decrease) in Cash and Cash Equivalents	196,837
Cash and Cash Equivalents at Beginning of Year	9,040
	<hr/>
Cash and Cash Equivalents at End of Year	\$205,877
	<hr/>
Reconciliation of Operating Income to Net Cash Provided	
<u>Used for Operating Activities:</u>	
Operating Income (Loss)	\$ (293,025)
Adjustments To Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:	
Depreciation	11,105
Loss on Disposal of Capital Assets	2,271
Changes in Assets and Liabilities:	
Decrease (Increase) in Intergovernmental Payable	7,280
Increase (Decrease) in Accounts Payable	(4,814)
Increase (Decrease) in Accrued Wages	135,494
Increase (Decrease) in Director's Advance	(1,942)
Total Adjustments	<hr/> 149,394
Net Cash (Used) Provided by Operating Activities	<hr/> \$ (143,631)

See accompanying notes to the basic financial statements

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**NEW DAY ACADEMY BOARDING & DAY SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

**1. DESCRIPTION OF THE ACADEMY**

New Day Academy Boarding & Day School (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under a five member self-appointed Board of Trustees. The Academy's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transaction, in which the Academy receives value without directly giving equal value in return, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the years when the resources are required to be used or the fiscal year when use is the first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compares income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis.

**E. Capital Assets and Depreciation**

The Academy maintains a capitalization threshold of one thousand dollars.

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

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	5 - 7 years
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#### **F. Net Assets**

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction, or improvement of those assets.

#### **G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

#### **H. 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.

### **3. DEPOSITS**

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits totaled \$205,877. As of June 30, 2007, \$105,877 of the Academy's bank balance was exposed to custodial risk because it was in excess of Federal Depository Insurance Corporation Coverage.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. 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 the 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 Academy.

*Investments:* The Academy had no investments at June 30, 2007, or during the fiscal year.

#### 4. CAPITAL ASSETS

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

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Furniture, Fixtures, and Equipment	\$2,784	\$54,000	\$2,924	\$53,860
Total Capital Assets being Depreciated	<u>2,784</u>	<u>54,000</u>	<u>2,924</u>	<u>53,860</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>199</u>	<u>11,105</u>	<u>653</u>	<u>10,651</u>
Total Accumulated Depreciation	<u>199</u>	<u>11,105</u>	<u>653</u>	<u>10,651</u>
Total Capital Assets, Net	<u>\$2,585</u>	<u>\$42,895</u>	<u>\$2,271</u>	<u>\$43,209</u>

#### 5. RISK MANAGEMENT

##### A. Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the Academy contracted with Indiana Insurance Company for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

##### B. Workers Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

#### 6. DEFINED BENEFIT PENSION PLANS

##### School Employees Retirement System

The Academy contributes to the Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$16,768, \$8,216, and \$0, respectively; 41% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

## STATE TEACHERS RETIREMENT SYSTEM

The Academy participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The Academy's required contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$82,270, \$40,684, and \$0, respectively; 75% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

## 7. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$5,876 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, Academy paid \$1,989 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

## 8. CONTINGENCIES

### A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

### B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2007, the review was completed in January 2007. For the Academy, there was an insignificant variance between the amount received to date and the final payment made to the Academy. This variance will have no effect on the financial standing of the Academy.

## 9. PURCHASED SERVICES

For the year ended June 30, 2007, the purchased service expenses were comprised of the following:

Special Ed Consultant	\$3,473
Superintendent Consultant	56,853
Conference Expenses	17,750
Sponsor Fees	25,949
Facility & Equipment Rentals	84,883
Telephone	3,977
Postage	1,404
Advertising	2,267
Liability Insurance	10,334
Other Administrative:	
Instruction & Professional Services	68,075
Support	7,441
Treasury Services	26,279
Payroll Expenses	2,565
Janitorial Services	1,923
Human Resource & Other Purchased Services	73,867
Community Rec	2,709
Total Purchased Services	<u>\$389,749</u>

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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*

New Day Academy Boarding and Day School  
Cuyahoga County  
291 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

To the Board of Directors:

We have audited the basic financial statements of New Day Academy Boarding and Day School, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 2, 2009, wherein we noted the Academy misstated amounts on the Statement of Cash Flows and presented note disclosures that were not complete and were inaccurate. 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 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 Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 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 Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-004 and 2007-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding 2007- 005 is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated December 2, 2009.

#### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 2, 2009.

We intend this report solely for the information and use of management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 2, 2009

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2007-001</b>
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**Finding for Recovery**

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

During fiscal year 2007, the Academy issued ten checks totaling \$1,700 made payable to cash or petty cash. The Academy was not able to provide supporting documentation for payments totaling \$1,167.08. Kistanne Brown was the petty cash custodian from the period of July 1, 2006 to February 28, 2007. Subsequent to February 28, 2007 and throughout the remainder of the fiscal year, Sonya Williams was the petty cash custodian. Of this amount of \$1,167.08, Kistanne Brown was the custodian for \$676.45 and Sonya Williams was the custodian for the remainder amount of \$490.63.

The Academy's failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of this expenditure. *Steward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued jointly and severally against Terrance Walton, Superintendent and authorized Check Signatory, and Kistanne Brown, Petty Cash Custodian for the amount of \$676.45 and in favor of New Day Academy Boarding and Day School and jointly and severally against Terrance Walton, Superintendent and authorized Check Signatory, and Sonya Williams, Petty Cash Custodian for the amount of \$490.63 and in favor of New Day Academy Boarding and Day School.

On December 22, 2009, \$1,167.08 was deposited into the Academy's bank account.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2007**

(Continued)

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
<b>FINDING NUMBER</b>	<b>2007-002</b>

**Finding for Recovery**

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

During fiscal year 2007, the Academy issued the following payment in the amount of \$251.36 to Staples Office Supply Store which was unsupported and the Academy did not provide supporting documentation for this payment.

On July 10, 2006, check number 1333 in the amount of \$251.36 was issued and authorized by Terrance Walton, Superintendent. This payment was unsupported and we could not determine the purpose of the expenditure.

The Academy's failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of this expenditure. *Steward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Terrance Walton, Superintendent, in the amount of \$251.36 in favor of the New Day Academy Boarding and Day School.

On December 22, 2009, \$251.36 was deposited into the Academy's bank account.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2007**

(Continued)

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2007-003</b>
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**Five Year Forecast**

Ohio Revised Code Section 3314.03(A)(15) requires the Academy prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised Code.

Ohio Admin Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a board of education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the department of education.

There was no evidence provided of the development of a five year revenue and expenditure forecast by the Academy.

Without evidence of the updating of the forecast, the Board does not have the necessary information to develop a financial plan for the school year. It is also possible the Academy will authorize the expenditure of funds in excess of the estimated amount available.

We recommend the Academy review the requirements of Ohio Revised Code Section 3314.03 and Ohio Admin. Code Section 3301-92-04 and take the necessary steps to meet these requirements, including obtaining the approval of the governing board and reviewing the appropriateness of the amounts included in the estimated budget.

<b>FINDING NUMBER</b>	<b>2007-004</b>
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**Petty Cash**

The Academy has a cash disbursement policy which includes petty cash. Per the policy, the purpose of petty cash is to reimburse employees for minimal out-of-pocket school related expenses. Reimbursement from petty cash is limited to \$100 and must be accompanied by adequate documentation, defined as a requisition describing the purchase of the item and receipt identifying the purchase of the item.

During our test of non-payroll expenditures, we did not receive support for \$1,167.08 in petty cash expenditures. In total, the Academy wrote 10 checks during the audit period totaling \$1,700 paid to "Cash" or "Petty Cash." This contributed to Finding Number 2007-001.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2007**

(Continued)

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2007-004</b>
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**Petty Cash (Continued)**

Without appropriate support documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We recommend the Academy follow its cash disbursement policy and require requisitions and receipts for all petty cash expenditures.

<b>FINDING NUMBER</b>	<b>2007-005</b>
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**Financial Reporting**

Section 2200.102 and 2300.106 of the Codification of Governmental Accounting and Financial Reporting Standards provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis;
- Basic financial statements which include
- Statement of Net Assets;
- Statement of Revenues, Expenditures, and Changes in Net Assets;
- Statement of Cash Flows; and
- Note disclosures

Although the School prepared the above noted financial statements and notes, the amount reported on the Statement of Cash Flows specifically Cash Flows from Operating Activities were inaccurate. Cash payments reported do not agree to the cash basis records. Therefore, the Statement of Cash Flows does not provide accurate information about how the School finances and meets its operating cash flow needs. Also, the Notes to the Financial Statements were incomplete and inaccurate. The Notes to the Financial Statements did not include the following required disclosures:

- Subsequent events which occurred after the report date; and
- Disclosure of operating leases.

In addition the pension note disclosure was inaccurately reported.

We recommend the Academy review the note disclosures required by the Codification of Governmental Accounting and Financial Reporting Standards to ensure complete disclosures are made.

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; <b>Explain:</b>
2006-001	Financial Report Filing	No	Partially Corrected. Reissued as a Management Letter
2006-002	Financial Reporting	No	Reissued as 2007-005
2006-003	Development and Implementation of Non-Payroll Cash Disbursements	Yes	





Mary Taylor, CPA  
Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL  
CUYAHOGA 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 14, 2010**