



Mary Taylor, CPA  
Auditor of State



**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Academy of Dayton Community School  
Montgomery County  
4095 Little Richmond Road  
Dayton, Ohio 45427

To the Governing Board:

We have audited the accompanying basic financial statements of the business-type activities of the Academy of Dayton Community School, Montgomery County, (the Academy), as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy of Dayton Community School, Montgomery County, as of June 30, 2009, and the respective changes in financial position its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the Ohio Department of Education has determined to close the Academy as of June 30, 2010 for failure to meet state academic standards.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As shown in the accompanying financial statements, the Academy has incurred a working capital deficiency of \$1,230,532 an operating loss of \$213,913 and an accumulated deficit of \$931,198 that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. 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 February 10, 2010, 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

February 10, 2010

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

This section of the Academy of Dayton's (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2009. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

**Using this Annual Report**

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 Academy of Dayton financially as a whole.

**Management's Discussion and Analysis (MD&A)**  
(Required Supplemental Information)

**Basic Financial Statements**

Statement of Net Assets  
Statement of Revenues, Expenses and Change in Accumulated Deficit  
Statement of Cash Flows

**Notes to the Basic Financial Statements**

**Reporting the Academy as a Whole**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and change in accumulated deficit which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of revenues, expenses and change in accumulated deficit - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net assets and the statement of revenues, expenses and change in accumulated deficit report the activities for the Academy, which encompass all of the Academy's services, including salaries and benefits, purchased services, materials and supplies and depreciation. Unrestricted state aid and state and federal grants finance most of these activities.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

Table 1 provides a summary of The Academy's net assets as of June 30, 2009

<b>Table 1 Net Assets</b>		
	<b>2009</b>	<b>2008</b>
	<b>(in thousands)</b>	<b>(in thousands)</b>
<b>Assets:</b>		
Current and other assets	\$ 283.4	\$ 327.0
Capital assets, net of accumulated depreciation	299.3	293.6
Total assets	582.7	620.6
<b>Liabilities:</b>		
Current liabilities	1,513.9	1,556.7
<b>Net Assets:</b>		
Invested in Capital Assets – Net of related debt	299.3	293.6
Unrestricted	(1,230.5)	(1,229.7)
Total Net Assets (Deficit)	(\$ 931.2)	(\$ 936.1)

The Academy's net assets increased from the prior year by \$4,958 resulting in a net asset deficit of \$931,198. The Academy's deficit financial position is primarily a result of low student enrollment.

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's activities is discussed below. The Academy's net deficit, as of June 30, 2009, was \$931,198. Capital assets recorded at historical cost, net of depreciation, totaled \$299,334. No long-term debt was used to finance the acquisition of those assets. The Academy does not have any restricted net assets. The remaining amount of net deficit of \$1,230,532 was unrestricted.

The \$1,230,532 in unrestricted net deficit represents the accumulated results of the past years' operations. Since the unrestricted net assets balance is in a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenues, expenses and change in accumulated deficit summarized in (Table 2), which shows the changes in net assets (accumulated deficit) for fiscal year 2009.



**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**Table 2  
Change in Net Assets**

	<b>2009 (in thousands)</b>	<b>2008 (in thousands)</b>
<b>Operating Revenues:</b>		
Foundation	\$ 931.8	\$ 661.4
Donated Management Company Fees		98.1
Donated Management Company Overhead		81.1
Donated Lease		135.4
Other	42.5	36.8
Non-Operating Revenues		
Grants-State	6.8	6.9
Grants-Federal	212.0	56.3
Total Revenues	<u>1,193.1</u>	<u>1,076.0</u>
<b>Operating Expenses:</b>		
Salaries	458.5	409.2
Fringe Benefits	108.1	106.3
Payroll Taxes	22.7	5.8
Rent	67.6	135.4
Purchased Services	478.7	459.1
Materials and Supplies	40.0	87.7
Depreciation	12.6	24.1
Total Expenses	<u>1,188.2</u>	<u>1,227.6</u>
Increase (Decrease) in Net Assets	4.9	(151.6)
Net Assets(Deficit), beginning of year	<u>(936.1)</u>	<u>(784.5)</u>
Net Assets(Deficit), end of year	<u>(\$ 931.2)</u>	<u>(\$ 936.1)</u>

As reported in table 2, the cost of all of our activities this year was \$1,188,225. Certain activities were partially funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefits" portion of our activities with \$931,809 in state foundation allowance.

The Academy experienced an increase in net assets of \$4,950 this school year. The increase in net assets for the current is attributable to an agreement between the Academy and Charter School Administration Services to waive certain fees that the Academy was obligated to pay.

**Budgetary Highlights**

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires a 5 year projection of annual appropriations and annual revenue estimates.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

As of June 30, 2009, the Academy had \$299,334 invested in capital assets, including leasehold improvements, furniture and equipment. This amount represents a net increase, including additions and disposals, of \$5,758.

<u>Capital Assets</u>	<u>2009 (in thousands)</u>	<u>2008 (in thousands)</u>
Leasehold improvements	\$339.9	\$339.9
Furniture and equipment	134.6	116.3
Sub-Total	474.5	456.2
Less: Accumulated Depreciation	(175.2)	(162.6)
Capital Assets, net	<u>\$299.3</u>	<u>\$293.6</u>

This year's addition of \$18,339 to furniture and equipment consisted of Computers, monitors and other technology related purchases. No debt was issued for these additions.

No major capital projects are planned for the near future. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Academy did not have any outstanding debt other than normal trade payables and payables to the management company, which are recorded on an accrual basis.

Other obligations include accrued salaries, benefits, and vacation pay.

**Economic Factors and Next Year's Budgets and Rates**

Our administration considers many factors when setting the Academy's 2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is based on the student count and the foundation allowance per pupil. The 2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 69 percent of the revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on current enrollment data at the start of the 2009-10 school year, we anticipate that the fall student count will approximate the estimates used in creating the 2010 budget. Once the final student count and related per pupil funding is validated, the Academy will amend the budget if actual Academy resources are not sufficient to fund the original appropriation.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The impact on the Academy of the State's projected revenue is not known.

**Contacting the Academy's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the funds it receives. Questions concerning any of the information in this report should be directed to:

Andrew Burks, Fiscal Officer  
Academy of Dayton Community School  
c/o Charter School Administration Services, Inc.  
20820 Greenfield Rd  
Oak Park, MI 48237

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Current Assets:</b>	
Cash	\$88,496
Intergovernmental Receivable	126,300
Other Receivable	54,331
Prepaid Expenses	14,253
Total Current Assets	<u>\$283,380</u>
<b>Non-current Assets:</b>	
Capital Assets (Net of Accumulated Depreciation)	<u>299,334</u>
Total Assets	<u>582,714</u>
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	1,414,182
Intergovernmental Payable	36,072
Accrued Wages and Benefits	63,657
Total Liabilities	<u>1,513,912</u>
<b>Net Assets:</b>	
Invested in Capital Assets	299,334
Unrestricted (Deficit)	<u>(1,230,532)</u>
Total Net Assets/(Accumulated Deficit)	<u><u>(931,198)</u></u>

*The notes to the financial statements are an integral part of this statement.*

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN  
ACCUMULATED DEFICIT  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Operating Revenues:</b>	
Foundation Payments	\$931,809
Other	42,503
Total Operating Revenue	<u>974,312</u>
<b>Operating Expenses:</b>	
Salaries	458,446
Fringe Benefits	108,132
Payroll Taxes	22,670
Rent	67,680
Purchased Services	478,687
Materials and Supplies	40,029
Depreciation	12,581
Total Operating Expenses	<u>1,188,225</u>
Operating Loss	<u>(213,913)</u>
<b>Non-Operating Revenues:</b>	
Grants - State	6,854
Grants - Federal	212,009
Total Non-Operating Revenues	<u>218,863</u>
Change in Net Assets	4,950
Accumulated Deficit, Beginning of Year	<u>(936,148)</u>
Accumulated Deficit, End of Year	<u><u>(\$931,198)</u></u>

*The notes to the financial statements are an integral part of this statement.*

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Cash Flow from Operating Activities:**

Cash Received from State Foundation	\$909,389
Cash Received from Other	37,703
Cash Payments to Suppliers for Goods and Services	(539,692)
Cash Advanced to Vendor	(13,531)
Cash Payments to Employees for Services	(449,206)
Cash Payments for Employees Benefits	(112,609)
Net Cash Used for Operating Activities	<u>(167,946)</u>

**Cash Flows from Noncapital Financing Activities:**

Grants Received - State	8,757
Grants Received - Federal	130,994
Net Cash Provided for Non-capital Financing Activities	<u>139,751</u>

**Cash Flows from Capital and Related Financing Activities:**

Payments for Capital Acquisitions	<u>(18,339)</u>
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Net Decrease in Cash (46,534)

Cash, Beginning of Year 135,030

Cash, End of Year 88,496

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (213,913)

**Adjustments to Reconcile Operating Loss to Net Cash**

**Used for Operating Activities:**

Depreciation 12,581

**Changes in Assets and Liabilities:**

Decrease in Intergovernmental Receivable	19,239
Increase in Accounts Receivable	(940)
Decrease in Accounts Payable	(38,367)
Decrease in Intergovernmental Payable	(22,420)
Decrease in Prepaid Expense	53,427
Increase in Accrued Wages and Benefits	22,447

Total Adjustments 45,967

Net Cash Used for Operating Activities (\$167,946)

*The notes to the financial statements are an integral part of this statement.*

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**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Academy of Dayton (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to prepare all students to be successful citizens, cooperative workers and profitable entrepreneurs by developing their unique potential. The program is offered for students in kindergarten through third grade. 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 acquire facilities as needed, and contract for any services necessary for the operation of the school.

The Academy was approved for operation under contract with the Ashe Cultural Center, Inc. (Sponsor) for a three year period commencing on June 30, 2006 through April 14, 2009. That agreement was recently amended to extend the term of the sponsorship agreement through June 30, 2010. The Academy became operational during July of 2000. 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 the direction of a self-appointing five-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility staffed by a principal, 12 full-time certified teaching personnel and 5 non-certified support personnel who provide services to an enrollment of approximately 125 students.

The Board has entered into a management contract with Charter School Administration Services, Inc. (CSAS), to provide consulting services including teacher training, curriculum development, financial management, and State relations. (See Notes 9 and 13)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 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**

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, including depreciation) 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.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 balance sheet. In accordance with GASB Statement No. 33, after fiscal year 2000, capital contributions from other governments and private sources are recorded as non-operating revenues and reported as retained earnings. The 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**

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires a 5 year projection of annual appropriations and annual revenue estimates.

**D. Cash**

The Academy's management company, Charter School Administration Services, Inc. (CSAS), which serves as the Academy's fiscal agent, accounts for all monies received by the Academy. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name. Monies for all funds of the Academy are maintained in this account. (See Note 3)

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The 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 the asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five years. Leasehold improvements are depreciated over the estimated useful life of 39.5 years.

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and the State Poverty Based Assistance (PBA) Program. These programs are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year.



**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when resources are required to be used and the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**G. Accrued Liabilities Payable**

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2009, including:

Accrued Wages and Benefits Payable - salary payments made after year-end that were for services rendered in fiscal year 2009. Personnel are paid year round; however, payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2009 for all salary payments made to teaching personnel during the summer of 2009.

Accrued Intergovernmental Liability – State foundational payments were made to the Academy based on estimates of student enrollment and attendance. A final audit of those enrollment and attendance figures indicated that the Academy was overpaid. Accordingly, the Academy has accrued a liability for the overpayment. (See Note 10.B)

**H. Net Assets**

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

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

**I. Operating Revenues and Expenses**

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

**J. Estimates**

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$88,496 and the bank balance was \$110,087. Of the bank balance, \$0 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name. The Academy has no deposit policy for custodial credit risk.

**B. Investments**

During the fiscal year ended June 30, 2009, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

**4. INTERGOVERNMENTAL RECEIVABLES**

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2009 consist of Federal and State grant programs:

Grant	Amount
Title I	\$ 82,049
Title II part A	1,559
Title II part D	271
Title I School Improvement	32,718
Idea B	9,606
State of Ohio Child Nutrition grant	97
Total Intergovernmental Receivable	\$126,300

**5. CAPITAL ASSETS**

A summary of the Academy's capital assets at June 30, 2009, follows:

<b>Capital Assets, being depreciated:</b>	<b>Balance 07/01/08</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/09</b>
Leasehold Improvements	\$339,920			\$339,920
Furniture and Equipment	116,265	\$18,339		134,604
Sub-Total	456,185	18,339		474,524
Less: Accumulated Depreciation	(162,609)	(12,581)		(175,190)
Capital Assets, Net	\$293,576	\$ 5,758	\$0	\$299,334

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**6. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2009, the Academy contracted with Employers Mutual Casualty Company for property and general liability insurance.

General liability is protected by Employers Mutual Casualty Company with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate and no deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**B. Worker's Compensation**

The Academy pays the State Worker's 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.

**C. Employee Medical, Dental, Vision, Prescription, and Life Benefits**

The Academy has contracted with private carriers to provide employee medical, dental vision, prescription, and life benefits to its full time employees who work 40 or more hours per week.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The Academy contributes to the School 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the School Employees Retirement System's Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2009, the allocation to the pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$11,302, \$8,123 and \$9,082, respectively; 100 percent has been contributed for all years.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

**Plan Description** - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as lump sum or converted to a lifetime monthly annuity at age 50. 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 a 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$50,571, \$48,781 and \$38,609, respectively; 100 percent has been contributed for all years. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,005 made by the School and \$6,528 made by the plan members.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Postemployment Benefits**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75 percent. The Academy's contributions for the years ended June 30, 2009, 2008 and 2007 were \$605, \$383, and \$441, respectively, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$3,358, \$2,425, and \$2,154, respectively.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. POST EMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,612, \$3,484 and \$2,758, respectively; 100 percent has been contributed for all years.

**9. AGREEMENTS WITH CHARTER SCHOOL ADMINISTRATION SERVICES, INC.**

The Academy originally entered into a two-year contract, effective July 1, 2004 through June 30, 2006, with Charter School Administration Services, Inc. (CSAS) for educational management services. The contract was extended through June 30, 2010. This agreement automatically renews for an additional term of one year and from year to year thereafter unless written notice of intent to terminate or renegotiate is given by either party. In exchange for its services, CSAS receives a management fee equal to 12% of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

- a. Providing the support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy.
- b. Implementation and administration of the Educational Program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs.
- c. All personnel functions, including professional development for the Academy Administrator, all instructional personnel, and support staff.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. AGREEMENTS WITH CHARTER SCHOOL ADMINISTRATION SERVICES, INC. (Continued)**

- d. Control, maintenance, and operation of the school building, and the installation of technology integral to the school design.
- e. All aspects of the business administration of the Academy.
- f. Transportation and food service for the Academy.
- g. A projected annual budget prior to each school year.
- h. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request.
- i. Provide support for annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy.
- j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year.
- k. Any other function necessary or expedient for the administration of the Academy.

For the year ended June 30, 2009, the management company fees were \$117,291. CSAS waived fees in the amount of \$25,196 for net management fees of \$92,095. Fees were waived in an effort to eliminate the Academy's net asset deficit.

**10. 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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claim will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

**B. State 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 fiscal year 2008 FTE adjustment resulted in a payable of \$56,050 for the Academy to the Ohio Department of Education as a result of the enrollment data review, which will be paid over 20 months starting November 2008.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. OPERATING LEASE**

The Academy entered into a lease for the period August 1, 2002, through June 30, 2006, with Education Real Estate, Inc. for a larger facility. The lease was extended through June 30, 2009. The lease calls for monthly payments of \$11,280 per month for the period of the lease. A holdover provision allows the Academy to continue the terms of the current lease on a month-to-month basis at the conclusion of the lease provision. The Academy subordinated its interest in the lease to a mortgage held by Education Real Estate, Inc.'s bank. Rent payments in the amount of \$67,680 for fiscal year 2009 were waived in an effort to reduce the Academy's net asset deficit.

The Academy has also entered into leases commencing October 4, 2005 and February 1, 2006 for a term of 36 months for copiers. The lease agreement for the facility was extended for an additional 12 months through June 30, 2010. The Academy entered into a new copier lease commencing on July 1, 2008 through June 30, 2011. Payment made during the year 2009 totaled \$12,202. The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2009:

<u>Year ending June 30</u>	<u>Facility Rental</u>	<u>Copiers</u>
2010	\$135,360	\$5,856
2011		5,856
Future minimum payments	<u>\$135,360</u>	<u>\$11,712</u>

**12. RELATED PARTIES**

Two of the board members of the Academy are also board members of the Academy of Cleveland and the Academy of Business and Technology. Members of the Board of Trustees are not compensated.

The Academy entered into a lease for the period August 1, 2002, through June 30, 2009, with Education Real Estate, Inc. for a larger facility (See Note 11). Education Real Estate, Inc. is the real estate company of Charter School Administration Services, Inc. (CSAS) the Academy's management company. Education Real Estate, Inc. agreed to waive \$67,680 in lease payments for the year ended June 30, 2009. The Academy made rent payments in the amount of \$67,680.

**13. CONSORTIUM AGREEMENT**

On August 23, 2000, the Board of Trustees approved joining a consortium with eighteen other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. (CSAS) under management agreements comparable to the management agreement between the Academy and CSAS (See Note 9). The Members of the consortium including the Academy are:



**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**13. CONSORTIUM AGREEMENT (Continued)**

<u>Academy</u>	<u>State of Operation</u>
Academy of Business and Technology	Ohio
Academy of Kansas City Charter School	Missouri
Academy of Arizona	Arizona
Beaumont Charter Academy	Texas
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Lithonia	Georgia
Academy of Detroit West	Michigan
Academy of Oak Park	Michigan
Academy of Southfield	Michigan
Academy of Lathrup Village	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

The Management Agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 2000, and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS has agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS, for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium, for the 2008-2009 school year, in an amount equal to \$67 per month per student enrolled at the Academy. Overhead fees in the amount of \$71,752 were waived for the 2009 school year. The Academy paid CSAS, the management company, \$36,788 for overhead fees. (See Note 9)

**14. OTHER PURCHASED SERVICES**

During the year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Advertising	\$ 16,025
Audit Fees	12,180
Equipment Rent/Lease	12,202
Food Service	59,705
Insurance	12,008
Legal	4,403
Maintenance and Repairs	28,246
Management Company Fees	128,883
Sponsorship Fees	27,282
Professional and Technical Services	123,979
Telephone	10,927
Utilities	30,453
Property Taxes – Montgomery County	12,394
	<u>\$478,687</u>

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

**15. SUBSEQUENT EVENTS/CONTINUED EXISTENCE**

As shown in the accompanying financial statements, the Academy had an accumulated deficit of \$931,198 as of June 30, 2009, which is primarily due to accounts payable of \$1,414,182 of which \$1,322,978 was over 90 days old. Through the Academy's sponsor, Ashe Culture Center, the Governing Board of Academy of Dayton has received information from the Ohio State Department of Education of its intent to close the Academy effective June 30, 2010.



# 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*

Academy of Dayton Community School  
Montgomery County  
4095 Little Richmond Road  
Dayton, Ohio 45427

To the Board of Directors:

We have audited the basic financial statements of the business-type activities of the Academy of Dayton Community School, Montgomery County, (the Academy) as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 10, 2010, wherein we noted that the Academy has incurred an accumulated deficit, that raises substantial doubt about its ability to continue as a going concern. 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 Standard*.

### 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

We noted certain internal control matters that we reported to the Academy's management in a separate letter dated February 10, 2010.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated February 10, 2010.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of finding. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

February 10, 2010

ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-001

**Non-Compliance**

**The Code of Regulations of Academy of Dayton, Article V, Board of Trustees – Section 7 Meetings:** requires that the Board of Trustees shall hold an annual meeting and at least five regular meetings each year.

The Board only met three times during the 2009 school year. Additionally, the board did not hold an annual meeting. It is the Board's responsibility to meet all the requirements outlined in the Code of Regulations as well as to monitor the financial activity of the Academy on a regular basis. Failure to follow the Code weakens the Board's ability to meet its objectives as outlined in the Code of Regulations, as well as to adequately monitor the Academy's financial position.

**Official's Response:** The Academy and the Academy's Board Trustees are aware of The Code of Regulations cited above and will adhere to such in the future by ensuring that an adequate number of meetings are held.

FINDING NUMBER 2009-002

**Non-Compliance**

**Ohio Rev. Code, Section 3314.011** states that prior to assuming the duties of fiscal officer, the fiscal officer designated under this section shall be licensed under Section 3314.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete an additional twenty-four hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer of the school. However, any such classes, courses, or workshops in excess of sixteen hours completed by the fiscal officer prior to assuming the duties of fiscal officer shall count toward the additional twenty-four hours of continuing education required under this section. In each subsequent year, any fiscal officer who is not licensed under section 3314.074 of the Revised Code shall complete eight hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school.

The Chief Financial Officer did not hold a license under the above mentioned section of code and did not complete the required hours of continuing education in fiscal year 2009. The Academy and the sponsor should develop and implement procedures to provide that the Chief Financial Officer is either licensed or completes the appropriate number of continuing education hours.

**Official's Response:** The Academy has addressed this finding and the Chief financial Officer for the Academy is in the process of obtaining licensure. This process will be complete by next fiscal year.

**FINDING NUMBER 2009-003**

**Non-Compliance**

**Ohio Revised Code Section 3314.023** states, in part, that a representative of the sponsor shall meet the governing authority of the school and shall review the financial records of the school at least every two months. The Academy's sponsor, The Ashe Culture Center, Inc. did not meet with the Governing Board as required. The Governing Board and the sponsor should work together to amend their meeting schedules to allow the sponsor to meet with the Governing Board at least every two months as required by the above section of code to provide for better monitoring of the Academy's activities by the sponsor.

**Official's Response:** The sponsor contracts with representatives to attend academy board meetings and therefore has mechanisms in place to facilitate compliance with the Ohio Revised Code. The sponsor will work closely with the Academy Board to ensure that a representative attends board meetings at least every two months as required by the Ohio Revised Code.

**ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Material Weakness regarding the Misclassification of donated Management Company Fees, Overhead Fees and Rent Payments	No	Reported to management of the Academy of Dayton in a separate letter.
2008-002	Code of Regulations, Article V – Failure to hold an annual meeting and at least five regular meetings	No	Not Corrected: Repeated as Finding 2009-001
2008-003	Ohio Revised Code Section 3314.011 – Failure of the financial officer to obtain a license or to complete sixteen hours of continuing education.	No	Not Corrected: Repeated as Finding 2009-002
2008-004	Ohio Revised Code Section 5705.391 – Failure to properly prepare a five year projection of revenues and expenditures	Yes	Fully Corrected
2008-005	Ohio Revised Code Section 3314.023 – Failure of the Sponsor to meet with the Governing Board and review financial records of the Academy once every two months	No	Not Corrected: Repeated as Finding 2009-003

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# Mary Taylor, CPA

Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Academy of Dayton Community School  
Montgomery County  
4905 Little Richmond Road  
Dayton, Ohio 45427

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Academy of Dayton Community School has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board approved its anti-harassment policy at its meeting on January 14, 2002.
2. We read the policy, to determine if it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

The policy adopted by the Academy did not include item 8 of the above requirements.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 10, 2010



Mary Taylor, CPA  
Auditor of State

ACADEMY OF DAYTON COMMUNITY SCHOOL  
MONTGOMERY 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  
MARCH 16, 2010