



Dave Yost • Auditor of State



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dayton Early College Academy  
Montgomery County  
300 College Park  
Dayton, Ohio 45469

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Dayton Early College Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2011, 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 business-type activities of Dayton Early College Academy, Montgomery County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 17, 2012

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The management's discussion and analysis of the Dayton Early College Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2011 are as follows:

- In total, net assets were \$1,345,672 at June 30, 2011.
- The Academy had operating revenues of \$2,559,396, operating expenses of \$3,702,957, non-operating revenues and contributions and donations of \$1,379,732, and non-operating expenses of \$3,763 for the fiscal year ended June 30, 2011. Total change in net assets for the fiscal year ended June 30, 2011 was an increase of \$232,408.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy's Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-22 of this report.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

The table below provides a summary of the Academy's net assets at June 30, 2011 and June 30, 2010.

<b>Net Assets</b>	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current assets	\$1,470,046	\$1,215,586
Capital assets, net	92,422	90,571
Total assets	1,562,468	1,306,157
<b>Liabilities:</b>		
Current liabilities	177,800	152,003
Non-current liabilities	38,996	40,890
Total liabilities	216,796	192,893
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	42,449	41,132
Restricted	350,601	167,639
Unrestricted	952,622	904,493
Total net assets	\$1,345,672	\$1,113,264

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$1,345,672.

At year-end, capital assets represented 5.92% of total assets. Capital assets consisted of equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$42,449. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The table below shows the changes in net assets for the fiscal year 2011 and 2010.

<b>Change in Net Assets</b>	<b>2011</b>	<b>2010</b>
<b>Operating Revenues:</b>		
State foundation	\$2,508,882	\$2,309,309
Classroom materials and fees	6,736	1,199
Charges for services	34,081	5,887
Other	9,697	5,600
Total operating revenues	2,559,396	2,321,995
<b>Operating Expenses:</b>		
Personnel services	2,498,070	2,206,835
Purchased services	948,538	1,111,650
Materials and supplies	169,996	271,764
Other	69,294	56,276
Depreciation	17,059	12,138
Total operating expenses	3,702,957	3,658,663



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

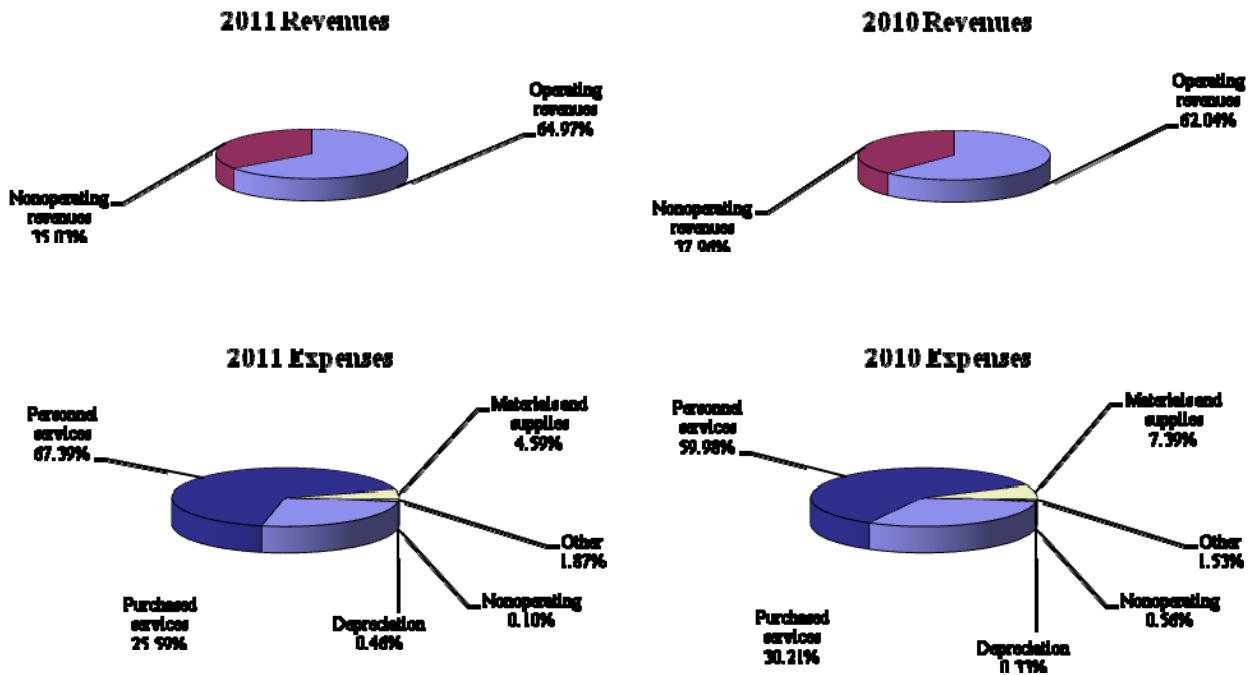
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Change in Net Assets  
(Continued)**

	2011	2010
<b>Non-operating Revenues/(Expenses):</b>		
Intermediate, State and Federal grants	1,032,712	988,663
Earnings on investments	2,268	4,056
Loss on disposal of capital assets		(18,221)
Donations and contributions	344,752	427,773
Interest expense	(3,763)	(2,540)
Total non-operating revenues/(expenses)	<u>1,375,969</u>	<u>1,399,731</u>
Change in net assets	232,408	63,063
Net assets at beginning of year	<u>1,113,264</u>	<u>1,050,201</u>
Net assets at end of year	<u>\$1,345,672</u>	<u>\$1,113,264</u>

Operating revenues of the Academy increased \$237,401 or 10.22%. This increase can mainly be attributed to an increase in State foundation revenue. State foundation revenue rose due to the addition of 43 students from the prior fiscal year. Operating expenses increased \$44,294. Personnel services expenses increased due to the addition of 3 employees from the prior fiscal year. Purchased services decreased due to a decrease in expenses related to property services. Materials and supplies expenses decreased due to the Academy purchasing more materials and supplies in fiscal year 2010 than in fiscal year 2011. Intermediate, state and federal grants increased \$44,049 due mainly to the Education Jobs grant.

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2011 and 2010.



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Capital Assets**

At June 30, 2011, the Academy had \$92,422 invested in equipment and vehicles. See Note 6 to the basic financial statements for more detail on capital assets.

**Debt Administration**

At June 30, 2011, the Academy had \$49,973 in capital leases outstanding. Of this total, \$10,977 is due in one year and \$38,996 is due in more than one year

**Current Financial Related Activities**

The Academy is sponsored by Dayton City School District. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors 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 financial information contact Ms. Deb Dynes, Treasurer, Dayton Early College Academy 300 College Park Dayton, OH 45469-2930.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Assets:**

**Current assets:**

Equity in pooled cash and cash equivalents	\$813,698
Cash with fiscal agent	337,158

**Receivables:**

Accounts	20,299
Intergovernmental	280,875
Prepayments	18,016
Total current assets	1,470,046

**Non-current assets:**

Depreciable capital assets, net	92,422
Total non-current assets	92,422

Total assets	1,562,468
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**Liabilities:**

**Current liabilities:**

Accounts payable	23,444
Accrued wages and benefits	111,412
Pension obligation payable	25,424
Intergovernmental payable	6,543
Capital leases obligation	10,977
Total current liabilities	177,800

**Non-current liabilities:**

Capital lease obligation	38,996
Total non-current liabilities	38,996

Total liabilities	216,796
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**Net assets:**

Invested in capital assets, net of related debt	42,449
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**Restricted for:**

Locally funded programs	12,863
Other grant programs	1,338
Federally funded programs	311,139
Other purposes	25,261
Unrestricted	952,622
Total net assets	\$1,345,672

*See accompanying notes to the basic financial statements.*

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Operating revenues:</b>	
State foundation	\$2,508,882
Classroom materials and fees	6,736
Charges for services	34,081
Other	9,697
Total operating revenues	<u>2,559,396</u>
<b>Operating expenses:</b>	
Personnel services	2,498,070
Purchased services	948,538
Materials and supplies	169,996
Other operating expenses	69,294
Depreciation	17,059
Total operating expenses	<u>3,702,957</u>
Operating loss	<u>(1,143,561)</u>
<b>Non-operating revenues (expenses):</b>	
Intermediate, State and federal grants	1,032,712
Earnings on investments	2,268
Donations and contributions	344,752
Interest expense	(3,763)
Total non-operating revenues (expenses)	<u>1,375,969</u>
Change in net assets	232,408
Net assets at beginning of year	<u>1,113,264</u>
Net assets at end of year	<u><u>\$1,345,672</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Cash flows from operating activities:</b>	
Cash received from foundation	\$2,525,851
Cash received from classroom materials and fees	6,452
Cash received from charges for services	34,081
Cash received from other operations	(2,938)
Cash payments for personnel services	(2,475,965)
Cash payments for purchased services	(961,884)
Cash payments to suppliers for goods and supplies	(163,298)
Cash payments for other expenses	(73,426)
Net cash used in operating activities	<u>(1,111,127)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from intermediate, State and federal grants	951,186
Cash received from donations and contributions	344,752
Net cash provided by noncapital financing activities	<u>1,295,938</u>
<b>Cash flows from capital and related financing activities:</b>	
Interest paid on capital leases	(3,763)
Principal paid on capital leases	(8,970)
Acquisition of capital assets	(9,406)
Net cash used in capital and related financing activities	<u>(22,139)</u>
<b>Cash flows from investing activities:</b>	
Interest received	2,268
Net cash provided by investing activities	<u>2,268</u>
Net increase in cash and cash equivalents	164,940
Cash and cash equivalents at beginning of year	985,916
Cash and cash equivalents at end of year	<u><u>1,150,856</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(1,143,561)
<b>Adjustments:</b>	
Depreciation	17,059
<b>Changes in assets and liabilities:</b>	
(Increase) in accounts receivable	(19,848)
Decrease in intergovernmental receivable	16,969
(Increase) in prepayments	(5,115)
(Decrease) in accounts payable	(1,190)
Increase in accrued wages and benefits	14,122
Increase in intergovernmental payable	1,608
Increase in pension obligation payable	8,829
Net cash used in operating activities	<u><u>(\$1,111,127)</u></u>

**Non-cash transaction:**

During fiscal year 2011, the Academy entered into a capital lease agreement for copiers in the amount of \$9,504.

During fiscal year 2011, the Academy received \$199,349 in non-operating grants, which was recognized as a receivable at June 30, 2010. A receivable in the amount of \$280,875 has been recorded for non-operating grants at June 30, 2011.

*See accompanying notes to the basic financial statements.*

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**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. DESCRIPTION OF THE ACADEMY**

Dayton Early College Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy, one of the first institutions of its kind in the United States and the first early college high school in Ohio, is to maximize each student's unique potential through a personalized, accelerated academic program. The Academy addresses a critical need in urban public schools to help students, particularly those underrepresented in higher education, to explore their personal and intellectual potential, achieve academic success, and make a seamless transition from high school to college. The Academy was developed out of a partnership between the University of Dayton and the Dayton City School District. Fiscal year 2008 represented the first year of operation of the Academy as an independent charter school. The Academy, which is part of the State's education program, is independent of any school district and is non-sectarian 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 Academy.

The Academy was approved for operation under contract with the Dayton City School District (the "Sponsor") for a period of five years commencing July 1, 2007 and ending June 30, 2012. The Sponsor is responsible for evaluating the Academy's performance 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 self-appointing eight member Governing Board (the "Board"). The Board is composed of a Chairman, Parent Representative, five Board members and the Academy's Treasurer. The Academy's Treasurer is a non-voting member of the Board. The Academy's Code of Regulations specify that vacancies that arise on the Board are 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 Board controls the Academy's one instructional/support facility staffed by 36 certified full-time teaching personnel and 6 non-certified employees who provide services to 402 students.

The University of Dayton provides educational assistance/opportunities for the students and professional development for the staff of the Academy. The University of Dayton also provides the Academy with facilities (See Note 9) and fiscal support for donations and grants. These monies are held in separate accounts by the University of Dayton and are presented as "cash with fiscal agent" on the statement of net assets (See Note 3). The Dayton Foundation also provides the Academy with fiscal support for donations and grants. These monies are held in separate accounts by the Dayton Foundation and are presented as "cash with fiscal agent" on the statement of net assets (See Note 3).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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.

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

The accounting and financial reporting treatment applied to a fund is determined by its 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. Equity consists of net total assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the school's contract with its sponsor. The contract between the Academy and its Sponsor requires a detailed Academy budget for each year of the contract, however the budget does not have to follow Ohio Revised Code Section 5705.

The Academy's Board adopts a formal budget at the beginning of the Academy year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

**D. Cash and Investments**

All cash the Academy receives is maintained at a central bank. The Academy also has cash that the University of Dayton and the Dayton Foundation hold and is reported as "cash with fiscal agent". For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Nonparticipating investments contracts are reported at cost.

STAR Ohio is an investment pool the State Treasurer's Office manages, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

During fiscal year 2011, cash the Academy received was maintained in demand deposit accounts.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$2,500. 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 expensed.

Depreciation of equipment and vehicles is computed using the straight-line method over estimated useful lives of five to ten years.

**F. Operating Revenues and Expenses**

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

**G. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title II-A grant, the Federal Title IV grant, the Education Jobs grant, the Race to the Top grant, the Federal Title II-D grant, the EMIS grant, Federal School Lunch Program, the School Net Professional Development grant and the Charter School Dissemination grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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. Intermediate, State and Federal grant revenue for the fiscal year 2011 was \$1,032,712.

**H. Prepayments**

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

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**I. Compensated Absences**

The Academy accrues a liability for employees that were Board approved to receive severance.

**J. Estimates**

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

**K. 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, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets have been restricted for State and federally funded programs and other grant programs. Net assets restricted for other purposes includes amounts restricted for food service.

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

**3. DEPOSITS AND INVESTMENTS**

**A. Cash with Fiscal Agent**

The Academy had \$337,158 in cash held by the University of Dayton and with the Dayton Foundation at June 30, 2011. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. This amount is not included in the "deposits" reported below.

**B. Cash on Hand**

At fiscal year end, the Academy had \$100 in un-deposited cash on hand which is included on the financial statements of the Academy as part of "equity in pooled cash and cash equivalents".

**C. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all Academy deposits was \$779,733. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$593,409 of the Academy's bank balance of \$843,409 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**D. Investments**

As of June 30, 2011, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$33,865</u>	<u>\$33,865</u>

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** STAR Ohio carries a rating of AAAm by Standard & Poor's.

**Concentration of Credit Risk:** The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type the Academy held at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$33,865</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<b>Cash and investments per note:</b>	
Carrying amount of deposits	\$ 779,733
Investments	33,865
Cash with fiscal agent	337,158
Cash on hand	<u>100</u>
Total	<u>\$1,150,856</u>

<b>Cash and investments per statement of net assets:</b>	
Business-type activities	<u>\$1,150,856</u>

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2011 consisted of accounts (billings for user charged services) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net assets follows:

Accounts	\$ 20,299
Intergovernmental	<u>280,875</u>
Total	<u><u>\$301,174</u></u>

**5. LONG-TERM OBLIGATIONS**

Changes in the Academy's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance 06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/11</u>	<u>Due Within One Year</u>
Capital lease obligation payable	\$49,439	\$9,504	(\$8,970)	\$49,973	\$10,977
Total governmental activities long-term liabilities	<u>\$49,439</u>	<u>\$9,504</u>	<u>(\$8,970)</u>	<u>\$49,973</u>	<u>\$10,977</u>

**Capital Lease Obligation:** See Note 8 for details.

**6. CAPITAL ASSETS AND DEPRECIATION**

A summary of the Academy's capital assets at June 30, 2011, follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/11</u>
<b>Capital assets, being depreciated:</b>				
Equipment	\$ 73,639	\$18,910		\$92,549
Vehicles	26,700			26,700
Total capital assets, being depreciated	<u>100,339</u>	<u>18,910</u>		<u>119,249</u>
<i>Less: Accumulated Depreciation</i>				
Equipment	(7,543)	(14,389)		(21,932)
Vehicles	<u>(2,225)</u>	<u>(2,670)</u>		<u>(4,895)</u>
<i>Total accumulated depreciation</i>	<u>(9,768)</u>	<u>(17,059)</u>		<u>(26,827)</u>
<i>Net Capital Assets</i>	<u>\$90,571</u>	<u>\$ 1,851</u>	<u>\$0</u>	<u>\$92,422</u>

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. PURCHASED SERVICES**

Purchased services include the following:

Professional and technical services	\$402,901
Property services	281,450
Travel mileage/meeting expense	20,110
Communications	42,364
Contracted craft or trade	134,863
Tuition and Other Similar Payments	58,986
Other	7,864
Total purchased services	\$948,538

**8. CAPITAL LEASES - LESSEE DISCLOSURE**

In the current fiscal year and a prior fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of \$61,645, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$14,379, leaving a current book value of \$47,266. Principal and interest payments in the 2011 fiscal year totaled \$8,970 and \$3,763, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

Fiscal Year Ending June 30,	Amount
2012	\$14,348
2013	14,347
2014	14,347
2015	13,332
2016	1,614
Total future minimum lease payments	57,988
Less: amount representing interest	(8,015)
Present value of future minimum lease payments	\$49,973

**9. OPERATING LEASES**

The Academy entered into a lease for fiscal year 2011 with the University of Dayton to lease the third floor of the building located at 1529 Brown Street to house the Academy. The cost of the lease for fiscal year 2011 was \$276,000 payable in twelve monthly payments.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. 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. During fiscal year 2011, the Academy contracted with Ohio Casualty for general, automobile and excess/umbrella liability insurance. General liability carries a limit of \$1,000,000 for each occurrence and \$2,000,000 aggregate. Automobile carries a \$1,000,000 combined single limit and excess/umbrella liability carries a limit of \$3,000,000 for each occurrence. There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past three years.

**B. Workers' 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 the State calculates.

**11. OTHER EMPLOYEE BENEFITS**

**Employee Medical, Dental, Life and Vision Benefits**

The Academy has contracted with Anthem for medical, life and vision benefits and Superior Dental for dental benefits to its employees.

**12. 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, disability, survivor 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 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$27,015, \$20,308 and \$11,536, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. PENSION PLANS (Continued)**

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

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 a 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 2011, 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, 2011, 2010 and 2009 were \$224,543, \$209,775 and \$176,191, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$52,229 made by the Academy and \$37,306 made by the plan members.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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.



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$5,971, \$1,976 and \$5,279, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,738, \$1,208 and \$952, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

**Plan Description** - The Academy 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), under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$17,273, \$16,137 and \$13,553, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**14. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**B. Litigation**

The Academy is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. 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 Academy anticipates no adjustments to State funding for fiscal year 2012 as a result of the reviews which have yet to be completed.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. SERVICE AGREEMENTS**

**Dayton City School District**

The Academy entered into a five-year contract effective on July 1, 2007 and continuing through June 30, 2012 with the Dayton City School District (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with applicable laws and the terms of the contract; and,
- Monitor and evaluate the academic, fiscal performance and the organization and operation of the Academy.

The Academy paid the Sponsor a 1.75% sponsorship fee, based on State foundation revenue. During fiscal year 2011, the Academy made \$43,735 in payments to the Sponsor.

**16. ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**Jointly Governed Organizations**

**Metropolitan Dayton Educational Cooperative Association** - The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School paid MDECA \$7,548 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. Department of Agriculture</b>			
<i>Passed through Ohio Department of Education</i>			
<b>Child Nutrition Cluster:</b>			
Cash Assistance			
School Breakfast Program	10.553	\$28,546	\$28,546
Cash Assistance			
National School Lunch Program	10.555	81,585	81,585
Total Child Nutrition Cluster		<u>110,131</u>	<u>110,131</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	10,000	10,000
Total U.S. Department of Agriculture		<u>120,131</u>	<u>120,131</u>
<b>U.S. Department of Education</b>			
<i>Passed through Ohio Department of Education</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	225,547	245,675
<b>ARRA</b> Title I Grants to Local Educational Agencies, Recovery Act	84.389	112,872	150,901
Total Title I Cluster		<u>338,419</u>	<u>396,576</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	46,274	49,734
<b>ARRA</b> Special Education Grants to States, Recovery Act	84.391	47,422	51,033
Total Special Education Cluster (IDEA)		<u>93,696</u>	<u>100,767</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2,125	
Charter Schools	84.282	87,630	121,140
Education Technology State Grants	84.318	3,572	
Improving Teacher Quality State Grants	84.367	5,706	2,708
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	214,657	217,581
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	4,520	8,832
Education Jobs Fund	84.410	72,942	73,992
Total U.S. Department of Education		<u>823,267</u>	<u>921,596</u>
Total Federal Financial Assistance		<u>\$943,398</u>	<u>\$1,041,727</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Dayton Early College Academy's (the Academy) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Dayton Early College Academy  
Montgomery County  
300 College Park  
Dayton, Ohio 45469

To the Board of Directors:

We have audited the financial statements of the business-type activities of Dayton Early College Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 17, 2012. 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 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 17, 2012.

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

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

January 17, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Dayton Early College Academy  
Montgomery County  
300 College Park  
Dayton, Ohio 45469

To the Board of Directors:

### Compliance

We have audited the compliance of Dayton Early College Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Dayton Early College Academy's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Dayton Early College Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated January 17, 2012.

We intend this report solely for the information and use of the management, Board of Directors, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 17, 2012



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Part A Cluster: CFDA #84.010 and 84.389  ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants - Recovery Act: CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**Finding Number 2011-01**

**SIGNIFICANT DEFICIENCY**

The Academy maintained bank accounts at the University of Dayton that provided monies for operations and capital expenditures at the discretion of the Academy; and a checking account at the Dayton Foundation for the primary purpose of collecting donation revenue. During fiscal year 2011, the Academy understated the cash with fiscal agent, donations revenue, and beginning net assets related to these accounts in the amounts of \$14,416, \$32,123, and \$46,539 respectively, which represented .92% of total assets, 1.18% of total revenues, and 2.89% of the beginning net assets.

Additionally the Academy maintained a lease for building space with the University of Dayton upon which it received a discount on the lease in the amount \$205,892. The Academy failed to properly recognize the donation revenue and related purchased service expenditures related to the discount, which represented 5.22% of total revenues and 5.55% of total expenditures respectively. These errors could result in audit adjustments to the financial statements.

The Academy should implement procedures to verify that all cash with fiscal agent and donation revenues are properly posted to the financial statements.

**Official's Response:** The Treasurer's Office requested the reports from the University of Dayton as of June 30, 2011. The AOS requested the same reports the end of October 2011. It appears the University of Dayton reconciled the accounts after they gave us the report we requested as of June 30, 2011. This created the understatement. The Academy records the lease net on a cash basis as to not overstate revenue and expenditures. The donation revenue and related purchased service expenditure related to the discount will be recorded in the GAAP statements in the future.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Dayton Early College Academy  
Montgomery County  
300 College Park  
Dayton, Ohio 45469

To the Board of Directors:

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

1. We noted the Academy amended its anti-harassment policy at its meeting on December 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 17, 2012

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# Dave Yost • Auditor of State

**DAYTON EARLY COLLEGE ACADEMY**

**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  
FEBRUARY 16, 2012**