DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Dayton Academy School
Montgomery County
4401 Dayton Liberty Road
Dayton, OH 45418

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of Dayton Academy School, Montgomery County, (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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 information of Dayton Academy School, Montgomery County, as of June 30, 2009, and the respective changes in financial position and cash flow 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 March 19, 2010, on our consideration of the School'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.

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We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures provides additional information and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Mary Taylor, CPA
Auditor of State

March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

The discussion and analysis of the Dayton Academy School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

In total, net assets increased $9,621, which represents a one percent increase from fiscal year 2008.

Total assets increased $237,334, which represents a 14 percent increase from fiscal year 2008.

Liabilities increased $227,713, which represents a 23 percent increase from fiscal year 2008.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the School did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the School's net assets for fiscal year 2009 and fiscal year 2008:

(Table 1)
Net Assets

	2009	2008	Change
Assets:			
Current Assets	$1,641,501	$1,390,211	$251,290
Depreciable Capital Assets, Net	265,164	279,120	(13,956)
Total Assets	1,906,665	1,669,331	237,334
Liabilities:			
Current Liabilities	1,211,533	983,820	227,713
Net Assets:			
Invested in Capital Assets	265,164	279,120	(13,956)
Unrestricted	429,968	406,391	23,577
Total Net Assets	$ 695,132	$685,511	$ 9,621

Total assets increased $237,334, mainly due to an increase in cash and cash equivalents due to a decrease in expenditures from purchased services. Liabilities increased by $227,713 primarily due to an increase in the Edison payable. The increase in unrestricted net assets was $23,577.

Table 2 shows the changes in net assets for fiscal year 2009 and fiscal year 2008.

(Table 2)
Change in Net Assets

	2009	2008	Change
Operating Revenues:			
Sales	$ 2,585	$ 6,879	($ 4,294)
State Foundation	4,856,956	5,179,531	(322,575)
Miscellaneous	1,407	57,219	(55,812)
Total Operating Revenues	4,860,948	5,243,629	(382,681)
Non-Operating Revenues:			
Federal and State Grants	1,349,410	1,131,719	217,691
Gifts and Donations	10,000	25,757	(15,757)
Interest	6,459	28,286	(21,827)
Total Non-Operating Revenues	1,365,869	1,185,762	180,107
Total Revenues	6,226,817	6,429,391	(202,574)
Operating Expenses:			
Purchased Services	5,543,508	5,734,135	(190,627)
Rent	656,657	662,783	(6,126)
Materials and Supplies	245	216	29
Depreciation	13,956	41,868	(27,912)
Other Operating Expenses	2,830	1,118	1,712
Total Operating Expenses	6,217,196	6,440,120	($222,924)
Change in Net Assets	9,621	(10,729)	
Net Assets at Beginning of Year	685,511	696,240	
Net Assets at End of Year	$695,132	$ 685,511	

The decrease in revenues for fiscal year 2009 was due to the decrease in enrollment. The School also decreased expenses in purchased services through the management company decreasing staffing levels within the School.

Salaries for the School are generated by a management company. STRS and SERS are withheld from the State Foundation monthly payments.

Capital Assets

At the end of fiscal year 2009 the School had $265,164, invested in buildings. This represented a decrease of $13,956 from fiscal year 2008, which was due to the depreciation expense for fiscal year 2009. Table 3 shows total capital assets for fiscal years 2009 and 2008:

(Table 3)
Capital Assets at June 30,
(Net of Depreciation)

	2009	2008
Buildings	$265,164	$279,120

For more information on capital assets see Note 5 to the basic financial statements.

Debt Administration

The School does not have any outstanding debt at June 30, 2009.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis J. Bixler, Treasurer at Dayton Academy School, 4401 Dayton-Liberty Road, Dayton, Ohio 45418, or e-mail at ww_treas@mdeca.org.

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DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current Assets:	
Cash and Cash Equivalents	$885,170
Intergovernmental Receivables	754,808
Accrued Interest Receivable	1,523
Total Current Assets	1,641,501
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	265,164
Total Assets	1,906,665
Liabilities	
Current Liabilities:	
Accounts Payable	3,838
Edison Payable	1,207,695
Total Liabilities	1,211,533
Net Assets:	
Invested in Capital Assets	265,164
Unrestricted	429,968
Total Net Assets	$695,132

See accompanying notes to the basic financial statements.

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Sales	$2,585
State Foundation	4,856,956
Miscellaneous	1,407
Total Operating Revenues	4,860,948
Operating Expenses:	
Purchased Services	5,543,508
Rent	656,657
Materials and Supplies	245
Depreciation	13,956
Other Operating Expenses	2,830
Total Operating Expenses	6,217,196
Operating Loss	(1,356,248)
Non-Operating Revenues:	
Federal and State Grants	1,349,410
Gifts and Donations	10,000
Interest	6,459
Total Non-Operating Revenues	1,365,869
Change in Net Assets	9,621
Net Assets at Beginning of Year	685,511
Net Assets at End of Year	$695,132

See accompanying notes to the basic financial statements.

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Sales	$2,585
Cash Received from State of Ohio	4,903,344
Cash Received from Miscellaneous Sources	38,993
Cash Payments to Suppliers for Goods and Services	(5,972,697)
Cash Payments to Others	(2,830)
Net Cash Used for Operating Activities	(1,030,605)
Cash Flows from Non-capital Financing Activities:	
Federal and State Grants Received	1,312,814
Gifts and Donations	10,000
Net Cash Provided by Noncapital Financing Activities	1,322,814
Cash Flows from Investing Activities:	
Interest	5,101
Net Increase in Cash and Cash Equivalents	297,310
Cash and Cash Equivalents at Beginning of Year	587,860
Cash and Cash Equivalents at End of Year	$885,170
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($1,356,248)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,956
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	83,974
Decrease in Accounts Payable	(72,382)
Increase in Edison Payable	300,095
Total Adjustments	325,643
Net Cash Used for Operating Activities	($1,030,605)

Non-cash:
The School had outstanding intergovernmental receivables related to non-operating grants of $754,808 at June 30, 2009.

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community Schools, Inc. "doing business as" Dayton Academy School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. Specifically, the School's purpose is to be a charter school serving children from kindergarten through grade eight. The School, which is part of the State's education program, is to operate or arrange for the operation of schools in the Dayton, Ohio area. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School qualifies as an exempt organization under Section 501I(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 School's tax-exempt status.

The creation of the School was initially proposed to the Ohio State Board of Education, the sponsor, by the Board of Trustees of Alliance Community Schools, Inc. (the "Board") on November 9, 1998. The Ohio State Board of Education approved the proposal and entered into a contract with the Board, which provided for the commencement of School operations beginning with the 2000 academic year and terminated upon conclusion of fiscal year 2005.

The contract with the Ohio State Board of Education was not renewed and the School entered a sponsor contract with the Thomas B. Fordham Foundation for the period July 1, 2005 through June 30, 2010.

The School operates under a seven member Board of Trustees. This Board of Trustees exercises its authority by appointing a separate six member Board of Governance for the School. The Board of Trustees is responsible for carrying out the provisions of the sponsor contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 16)

Alliance Community Schools, Inc. has several divisions. These divisions operate under the names of Dayton Academy School, Dayton View Academy School, and Alliance Facilities Management. Alliance Community Schools, Inc. has contracted with EdisonLearning, Inc. to act as a management company for both of the schools. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

E. Expenses

Expenses are recognized at the time they are incurred.

F. Cash and Cash Equivalents

During fiscal year 2009, the School's investments were limited to non-negotiable certificates of deposit and repurchase agreements, which are reported at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received.

The School maintains a capitalization threshold of $1,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over 25 years.

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. The School has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets as of June 30, 2009.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State and sales for food services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. 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 remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Estimates

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

L. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

3. DEPOSITS AND INVESTMENTS

Articles of Incorporation, Article VI, states that the assets of the School may be invested in obligations issued or guaranteed by the United States of America or any agency thereof, obligations of state governments and municipal corporations, real estate mortgage, savings deposits, corporate bonds, and notes and carefully selected preferred stocks.

Investments

As of June 30, 2009, the School had the following investments:

	Fair Value	Maturity
Repurchase Agreements	$563,399	Less than 30 Days

A. Interest Rate Risk

The School has no investment policy that addresses interest rate risk.

B. Credit Risk

The underlying investment in the repurchase agreement is a Federal Home Loan Mortgage Corporation Note which carries a rating of Aaa by Moody's. The School has no investment policy that addresses credit risk.

4. RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental (State Foundation and Federal and State grants) and accrued interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

4. RECEIVABLES (Continued)

Title I	$463,305
Improving Teacher Quality	102,283
Title II-D	5,457
Safe and Drug Free Schools	10,283
Title V	1,397
IDEA-B	147,831
Food Service Subsidy	4,116
Early Childhood Special Education	2,147
Miscellaneous	17,989
Total Intergovernmental Receivable	$754,808

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deductions	Balance 6/30/09
Capital Assets, Being Depreciated:				
Building	$348,900			$348,900
Less Accumulated Depreciation:				
Building	(69,780)	($13,956)		(83,736)
Governmental Activities Capital Assets, Net	$279,120	($13,956)	$0	$265,164

6. RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2009, the School's management company, EdisonLearning, Inc., carried comprehensive insurance on all of the schools they manage. This policy cannot be broken out on a per school basis, and therefore is presented on a cumulative basis. EdisonLearning, Inc. contracted with Hilb Rogel and Hobbs of New York, LLC for employee dishonesty, workers compensation and employer's liability, commercial property insurance, automobile liability, school leader's liability, general liability, and excess liability insurance.

The Employee dishonesty crime coverage carries a $500,000 per occurrence; has a $5,000,000 loss limit and carries no deductible. The employer liability policy has a limit of $1,000,000 with no deductible. Property Insurance, including business personal property, has a limit of $100,000,000 with a $50,000 deductible. The Automobile liability has a $1,000,000 limit with no deductible. The General Liability coverage provides $1,000,000 per occurrence and $2,000,000 in aggregate. In addition, the general liability provides $1,000,000 for damage to rented premises. There have been no reductions in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – Alliance Community Schools, Inc. contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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. Alliance Community Schools, Inc.'s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $79,057, $17,666, and $21,101, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – Alliance Community Schools, Inc. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at 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 a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of 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 the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School 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.

Alliance Community Schools, Inc's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were, $307,766, $219,470, and $315,889, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $13,123 made by the School and $10,117 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – Alliance Community Schools, Inc. participates in two cost-sharing multiple-employer defined benefit OPEB 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS 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 Street, Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

8. POSTEMPLOYMENT BENEFITS (Continued)

The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $36,180, $8,061, and $6,559, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were $6,523, $1,273, and $1,435, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – Alliance Community Schools, Inc. contributes to the cost-sharing multiple-employer defined benefit Health 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 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 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. Alliance Community Schools, Inc.'s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $23,674, $16,882, and $24,299, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

9. EMPLOYEE BENEFITS

As part of the management agreement with EdisonLearning, Inc. (see Note 14), insurance benefits for employees and retirement are paid by EdisonLearning, Inc.

10. RELATED PARTY TRANSACTIONS

A. Alliance Facilities Management (AFM)

The School leases its facilities and land from Alliance Facilities Management (AFM). The lease expense for the year ended June 30, 2009 was $491,512 for the land and $165,145 for the facilities. AFM's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 11)

B. Board of Governance

Although no transactions occurred between Dayton View Academy School and Dayton Academy School, both schools share the same Board of Governance.

10. RELATED PARTY TRANSACTIONS (Continued)

C. Thomas B. Fordham Foundation

The School contract requires one percent of the total State foundation payment to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total cash payments made during the fiscal year 2009 were $41,862.

11. LEASES

The School subleases a building and 6.5588 acres together with the non-exclusive right to use and occupy some common areas through a related nonprofit organization, Alliance Facilities Management (AFM). (See note 10A.) The term of the original lease commenced on August 1, 1999 and ran through June 30, 2004. The School had an option to renew the lease for four additional terms of five years. On October 15, 2004, the School renewed the lease for the period July 1, 2004 through June 30, 2009. AFM leases the land from the Dixon United Methodist Church. The School agreed to pay AFM, as rent for the land, an amount based on student enrollment each month. For the fiscal year 2009, the amount was $8.35 per student. This amount increases by three percent in August each year. Rent paid for the land for the year ended June 30, 2009 was $491,512.

The lease also states the School must pay AFM for rent of the building, an amount equal to the debt service relating to any financing obtained; plus loan closing costs, ongoing loan administration costs associated with any financing secured by the premises, including but not limited to, costs associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AFM, plus $5,000 per fiscal year. Lease payments for the building for the fiscal year ended June 30, 2009 were $165,145.

12. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

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.

13. PURCHASED SERVICES

For the fiscal year ended June 30 2009, purchased services expenses for services rendered by various vendors were as follows:

Management Company Fees	$5,308,400
Alliance Community Schools	193,246
Sponsorship Fees	41,862
Total	$5,543,508

14. AGREEMENT WITH EDISONLEARNING, INC.

The School contracted with EdisonLearning, Inc, to provide educational programs that offer educational excellence and a laboratory for educational innovation based on EdisonLearning, Inc.'s unique school design, comprehensive educational programs, and management principles. The term of the contract was July 1, 2004 through June 30, 2009. The contract may be renewed for an additional five year term and cannot extend beyond the term of the School's contract with the Thomas B. Fordham Foundation. Under the contract, EdisonLearning, Inc. is responsible and accountable to Alliance Community School, Inc.'s Board of Trustees for the administration, operation, and performance of the School in accordance with the School's contract with the Thomas B. Fordham Foundation to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to EdisonLearning, Inc. all qualified gross revenue defined in the contract as "Appendix F", sponsorship fees and rent and common area rental. The following is a summary of current payment activity to EdisonLearning, Inc.:

Amount due current fiscal year	$5,543,508
Amount remitted current fiscal year	(4,335,813)
Edison Payable	$1,207,695

2. The School's Financial Responsibility

The School is responsible for initial start up costs and rent. The School is responsible to pay for fees for legal services not related to the operation of the School.

3. EdisonLearning, Inc. Financial Responsibilities

EdisonLearning, Inc. is responsible for costs associated with operating the School. Such costs shall include, but shall not be limited to, salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums, utilities, janitorial services, audit, legal and financial management services related to the operation of the School and repairs and maintenance of the School's facilities, except for capital repair. EdisonLearning, Inc. equips the School's facilities with desks and other furniture and furnishings. These items are considered property of EdisonLearning, Inc.

EdisonLearning, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; Educator Liability coverage; Automobile Liability insurance, for personal injury and property damage; Property Insurance for facilities; and Workers' Compensation insurance for employees.

4. Budget

EdisonLearning, Inc. shall provide the School with an annual budget, in reasonable detail, by June 30 of each year for the following fiscal year.

14. AGREEMENT WITH EDISONLEARNING, INC. (Continued)

B. Personnel

All personnel working at the School are employees of the Alliance Community Schools, Inc. EdisonLearning, Inc. shall have the responsibility to select, assign, evaluate, and discharge School employees. Compensation will be set according to EdisonLearning, Inc.'s compensation policies for teachers, principals, and non-instructional staff.

In addition, any accrued payroll, the related benefits, and pension obligation for the School's employees are included in the account Edison Payable, as these amounts are figured in the payments remitted to EdisonLearning, Inc. throughout the school year.

C. Agreement Termination

1. Termination by the School

The School may terminate the contract in the event EdisonLearning, Inc. materially breaches the contract and EdisonLearning, Inc. fails to remedy such breach within 60 days of its receipt of written notice of such breach from the School.

2. Termination by EdisonLearning, Inc.

EdisonLearning, Inc. may terminate the contract in the event the School materially breaches the contract and the School fails to remedy such breach within 60 days of its receipt of written notice of such breach from EdisonLearning, Inc.

15. EDISONLEARNING, INC. EXPENSES

For the fiscal year ended June, 2009, Edison Learning, Inc. incurred the following expenses on behalf of the School.

	2009
Expenses:	
Salaries, Wages and Employee Benefits	$3,478,333
Professional and Technical Services	802,451
Property Services	137,436
Travel	22,097
Professional Development and Recruitment	55,848
Communications	18,208
Utilities	69,575
Contracted Craft or Trade Services	386,633
Transportation	59,625
Other Purchased Services	16,696
Books, Periodicals and Films	157,564
Other Supplies	154,573
Other Direct Costs	10,484
Total Expenses	$5,369,523

16. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association – The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA $4,472 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

17. SUBSEQUENT EVENTS

The Academy renewed the contract with EdisonLearning, Inc., the management company, for an additional three year period. The term of the contract if July1, 2009 through June 30, 2012.

Effective July 8, 2009 Dayton Academy officially changed its name to Dayton Leadership Academies – Dayton Liberty Campus

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR *Pass Through Grantor* Program Title	**Federal CFDA Number**	**Receipts**	**Disbursements**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Nutrition Cluster			
School Breakfast Program	10.553	$101,584	$90,885
National School Lunch Program	10.555	253,115	226,458
Total Nutrition Cluster		354,699	317,343
Fresh Fruit and Vegetable Program	10.582	27,550	33,726
Total U.S. Department of Agriculture		382,249	351,069
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Title I Grants to Local Educational Agencies	84.010	656,437	544,631
Special Education Grants to States	84.027	174,730	286,699
Special Education Preschool Grants	84.173	181	
Total Special Education Cluster		174,911	286,699
Safe and Drug-Free Schools and Communities State Grants	84.186	3,260	979
State Grants for Innovative Programs	84.298	1,393	
Education Technology State Grants	84.318	4,829	3,594
Improving Teacher Quality State Grants	84.367	71,654	31,231
Total U.S. Department of Education		912,484	867,134
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Montgomery County Educational Service Center:			
Medical Assistance Program	93.778	450	
Total U.S. Department of Health and Human Services		450	
Total Federal Assistance		$1,295,183	$1,218,203

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – COMMUNITY ALTERNATIVE FUNDING SYSTEM

As of July 1, 2005, the Community Alternative Funding System (CAFS) program (CFDA #93.778) no longer exists as a funding stream. Settlement payments for services rendered prior to June 30, 2005 are reported as receipts only on the Schedule.

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*

Dayton Academy School
Montgomery County
4401 Dayton Liberty Road
Dayton, Ohio 45418

To the Governing Board:

We have audited the financial statements of Dayton Academy School, Montgomery County, (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 19, 2010. 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 School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the School's management in a separate letter dated March 19, 2010.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the School'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 noncompliance or other matters that we reported to the School's management in a separate letter dated March 19, 2010.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the Community School's sponsor, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 19, 2010

Mary Taylor, CPA
Auditor of State

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

Dayton Academy School
Montgomery County
4401 Dayton Liberty Road
Dayton, Ohio 45418

To the Governing Board:

Compliance

We have audited the compliance of Dayton Academy School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School'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 express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 School's compliance with those 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 School's compliance with those requirements.

In our opinion, the Dayton Academy School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2009-001.

In a separate letter to the School's management dated March 19, 2010 we reported other matters related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

The School'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 School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that the School's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2009-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

The School's response to the finding we identified is described in the accompanying Corrective Action Plan. We did not audit the School's response and, accordingly, we express no opinion on it.

We also noted matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 19, 2010.

We intend this report solely for the information and use of the Governing Board, The Community School Sponsor, and the federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 19, 2010

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: School Breakfast Program (SBP) CFDA #10.553; National School Lunch Program (NSLP) CFDA# 10.555 Title I Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	2009-001
CFDA Title and Number	All CFDA Numbers
Federal Award Number / Year	2009
Federal Agency	United Sates Department of Education United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Non-Compliance and Material Weakness

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditees' financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the Schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The Academy received federal funds from the Ohio Department of Education and remitted those funds to the Management Company (Edison Schools) for expenditure. The Management Company received and disbursed Federal and other money on behalf of the Academy and also performed the Academy's accounting functions. Although the federal dollars were remitted to the management company, the federal dollars were in the name of the Academy, and the Academy had the ultimate responsibility for ensuring proper posting and expenditure of all federal dollars. The Academy recorded expenditures on its Schedule of Federal Awards Receipts and Expenditures based on the remittances to the Management Company which did not coincide with the timing of the actual expenditures by the Management Company for Federal programmatic purposes.

The Academy's 2009 Schedule of Federal Awards Receipts and Expenditures, which was presented on the cash basis of accounting, had the following errors:

- Federal Expenditures for the Title I grant were overstated by $64,200, the Improving Teacher Quality State Grants was overstated by $8,245, Special Education Grants to States were understated by $136,678, the National School Lunch expenditures were understated by $74,412 and the Fresh Fruit and Vegetable Program was overstated by $7,853. In addition, several other Comprehensive Continuous Improvement Plan (CCIP) grants (i.e Safe and Drug Free Schools and Education Technology) had insignificant variances between reported federal expenditures and actual federal expenditures.

- Federal Receipts were overstated for the Fresh Fruit and Vegetable Program by $26,350 and understated for the Nutrition Cluster Program by $20,010.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §__.310(b), due care should be taken in the preparation of the Schedule of Federal Awards Receipts and Expenditures. The Schedule should be reviewed after preparation and tied to the underlying cash reports of the Academy for accuracy.

Official's Response:

See official's response on page 33.

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Food Service Program Income Collection	Yes	
2008-002	Office of Management and Budget Circular A-133 Schedule of Federal Awards	No	Repeated as Finding 2009-001

DAYTON ACADEMY SCHOOL
MONTGOMERY COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED JUNE 30, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-001	To reduce the risk of inaccurate reporting of the federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §_.310(b), the Academy will prepare the Schedule of Federal Awards and Receipts and Expenditures using only the July 1 – June 30 receipts and expenditures. All receipts and expenditures will be reconciled to the Treasurer and Management Company (EdisonLearning) on a quarterly basis. All Project Cash Requests (PCRs) will be reconciled with the Treasurer flow through to the Management Company on a regular basis. Auditor provided a detailed sample Schedule that the Academy will follow for all federal reporting to remain in compliance with OMB Circular A-133, Subpart C, §_.310(b).	6/30/2010	Phyllis Bixler, Treasurer Jenny Charles, Regional Controller (EdisonLearning)

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Dayton Academy
Montgomery County
4401 Dayton-Liberty Road
Dayton, Ohio 45418

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 The Dayton Academy (the 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 revised its anti-harassment policy at its meeting on April 11, 2008.

2. We read the policy, noting 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 procedure for documenting any prohibited incident that is reported;

    6) A procedure for responding to and investigating any reported incident;

    7) 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;

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

    1) 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;

    2) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

    3) 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.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 19, 2010

Mary Taylor, CPA
Auditor of State

DAYTON 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
MAY 6, 2010

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