



Dave Yost • Auditor of State



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Dayton Early College Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dayton Early College Academy, Montgomery County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2015

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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, 2014 are as follows:

- In total, net position was \$1,193,518 at June 30, 2014.
- The Academy had operating revenues of \$3,190,664, operating expenses of \$4,928,153, non-operating revenues and contributions and donations of \$2,161,155, and non-operating expenses of \$128,010 for the fiscal year ended June 30, 2014. Total change in net position for the fiscal year ended June 30, 2014 was an increase of \$295,656.

**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 position and statement of revenues, expenses and changes in net position 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position and changes in that position. This change in net position 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 11-23 of this report.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

The table below provides a summary of the Academy's net position at June 30, 2014 and June 30, 2013.

<b>Net Position</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Current assets	\$1,446,161	\$1,180,621
Capital assets, net	152,042	55,027
<b>Total assets</b>	<b>1,598,203</b>	<b>1,235,648</b>
<b>Liabilities:</b>		
Current liabilities	309,661	323,442
Non-current liabilities	95,024	14,344
<b>Total liabilities</b>	<b>404,685</b>	<b>337,786</b>
<b>Net Position:</b>		
Net investment in capital assets	29,999	27,904
Restricted	588,552	290,330
Unrestricted	574,967	579,628
<b>Total net position</b>	<b>\$1,193,518</b>	<b>\$897,862</b>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position totaled \$1,193,518.

At year-end, capital assets represented 9.51% of total assets. Capital assets consisted of equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$29,999. 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 position for the fiscal year 2014 and 2013.

<b>Change in Net Position</b>		
	<b>2014</b>	<b>2013</b>
<b>Operating revenues:</b>		
State foundation	\$3,157,823	\$2,985,332
Classroom materials and fees	5,405	1,407
Charges for services	12,409	40,822
Other	15,027	8,949
<b>Total operating revenues</b>	<b>3,190,664</b>	<b>3,036,510</b>
<b>Operating expenses:</b>		
Personnel services	3,358,223	3,158,397
Purchased services	1,048,213	1,130,168
Materials and supplies	426,091	431,361
Other operating expenses	64,778	61,429
Depreciation	30,848	18,698
<b>Total operating expenses</b>	<b>4,928,153</b>	<b>4,800,053</b>



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

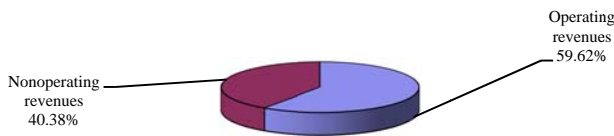
**Change in Net Position  
(Continued)**

	2014	2013
<b>Non-operating revenues/(expenses):</b>		
Intermediate, state and federal grants	1,521,468	1,343,835
Earnings on investments	1,201	1,057
Intergovernmental expense	(121,057)	-
Donations and contributions	636,034	477,927
Interest and fiscal charges	(6,953)	(2,494)
Gain on disposal of capital assets	2,452	
<b>Total non-operating revenues/(expenses)</b>	<b>2,033,145</b>	<b>1,820,325</b>
Change in net position	295,656	56,782
Net position at beginning of year	897,862	841,080
<b>Net position at end of year</b>	<b>\$1,193,518</b>	<b>\$897,862</b>

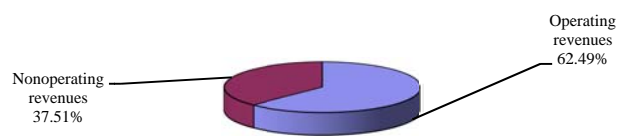
Operating revenues of the Academy increased \$154,154 or 5.08%. This increase can mainly be attributed to an increase in State foundation revenue. State foundation revenue rose due to the addition of 10 students from the prior fiscal year. Operating expenses increased \$128,100. Personnel services expenses increased due to an increase in salaries and benefits and an increase in certified and non-certified positions. Purchased services decreased due to decreases in multiple areas. Intermediate, state and federal grants increased \$177,633 due mainly to revenues related to the Straight A grant. Donations and contributions increased \$158,107 due to increased donations received by the Friends of DECA. The intergovernmental expenses relate to expenses passed through the Academy to DECA Prep for the Straight A grant and the Conner Donation grant.

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2014 and 2013.

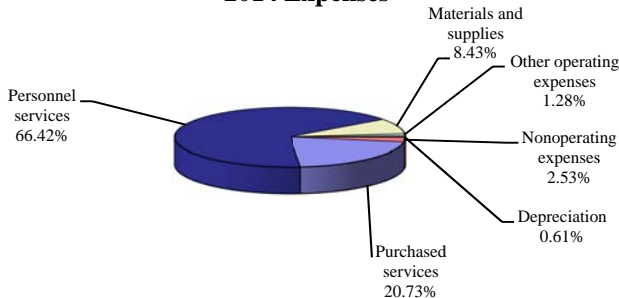
**2014 Revenues**



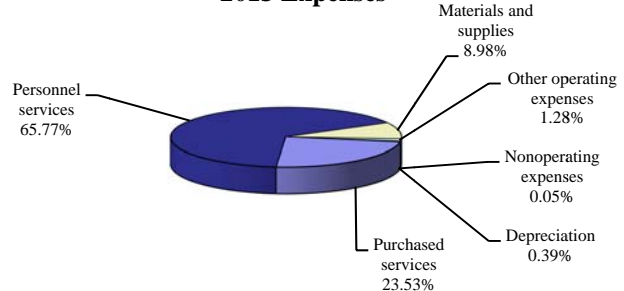
**2013 Revenues**



**2014 Expenses**



**2013 Expenses**



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Capital Assets**

At June 30, 2014, the Academy had \$152,042 invested in equipment and vehicles. See Note 6 to the basic financial statements for more detail on capital assets.

**Debt Administration**

At June 30, 2014, the Academy had \$122,043 in capital leases outstanding. Of this total, \$27,019 is due in one year and \$95,024 is due in more than one year. See Notes 5 and 8 to the basic financial statements for more detail on debt.

**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 Mr. Nick Martin, Treasurer, Dayton Early College Academy, 300 College Park, Dayton, OH 45469-2930.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Assets:**

**Current assets:**

Equity in pooled cash and cash equivalents	\$642,302
Cash with fiscal agent	480,007

**Receivables:**

Accounts	1,289
Intergovernmental	319,633
Prepayments	2,930

Total current assets	1,446,161
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**Non-current assets:**

Depreciable capital assets, net	152,042
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Total non-current assets	152,042
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Total assets	1,598,203
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**Liabilities:**

**Current liabilities:**

Accounts payable	49,402
Accrued wages and benefits	170,343
Pension obligation payable	54,240
Intergovernmental payable	8,657
Capital leases obligation	27,019

Total current liabilities	309,661
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**Non-current liabilities:**

Capital leases obligation	95,024
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Total non-current liabilities	95,024
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Total liabilities	404,685
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**Net position:**

Net investment in capital assets	29,999
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**Restricted for:**

Restricted for locally funded programs	89,994
Restricted for state programs	352,025
Restricted for federal programs	108,074
Restricted for food service operations	38,459

Unrestricted	574,967
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Total net position	\$1,193,518
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*See accompanying notes to the basic financial statements.*

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Operating revenues:**

State foundation	\$3,157,823
Classroom materials and fees	5,405
Charges for services	12,409
Other	15,027
Total operating revenues	<u>3,190,664</u>

**Operating expenses:**

Personnel services	3,358,223
Purchased services	1,048,213
Materials and supplies	426,091
Other operating expenses	64,778
Depreciation	30,848
Total operating expenses	<u>4,928,153</u>

Operating loss	<u>(1,737,489)</u>
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**Non-operating revenues (expenses):**

Intermediate, state and federal grants	1,521,468
Earnings on investments	1,201
Intergovernmental expense	(121,057)
Donations and contributions	636,034
Interest and fiscal charges	(6,953)
Gain on disposal of capital assets	2,452
Total non-operating revenues (expenses)	<u>2,033,145</u>

Change in net position	295,656
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Net position at beginning of year	<u>897,862</u>
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Net position at end of year	<u><u>\$1,193,518</u></u>
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*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, 2014**

<b>Cash flows from operating activities:</b>	
Cash received from foundation	\$3,157,965
Cash received from classroom materials and fees	5,405
Cash received from charges for services	11,655
Cash received from other operations	15,027
Cash payment for personnel services	(3,352,768)
Cash payments for purchased services	(1,059,868)
Cash payments to suppliers for goods and supplies	(441,772)
Cash payments for other expenses	(57,794)
	<hr/>
Net cash used in operating activities	(1,722,150)
 <b>Cash flows from non-capital financing activities:</b>	
Cash received from intermediate, state and federal grants	1,410,965
Cash used for intergovernmental purposes	(121,057)
Cash received from donations and contributions	637,017
Net cash provided by non-capital financing activities	<hr/> <u>1,926,925</u>
 <b>Cash flows from capital and related financing activities:</b>	
Interest paid on capital leases	(6,953)
Principal paid on capital leases	(22,527)
Acquisition of capital assets	(7,964)
Net cash used in capital and related financing activities	<hr/> <u>(37,444)</u>
 <b>Cash flows from investing activities:</b>	
Interest received	1,201
Net cash provided by investing activities	<hr/> <u>1,201</u>
 Net increase in cash and cash equivalents	 168,532
Cash and cash equivalents at beginning of year	953,777
Cash and cash equivalents at end of year	<hr/> <u>\$1,122,309</u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(1,737,489)
 <b>Adjustments:</b>	
Depreciation	30,848
 <b>Changes in assets and liabilities:</b>	
Accounts receivable	(94)
Intergovernmental receivable	14,276
Prepayments	(1,670)
Accounts payable	(22,078)
Accrued wages and benefits	15,042
Intergovernmental payable	(1,239)
Pension obligation payable	(19,746)
Net cash used in operating activities	<hr/> <u>(\$1,722,150)</u>

**Non-cash transaction:**

During fiscal year 2014, the Academy received \$209,130 in non-operating grants, which was recognized as a receivable at June 30, 2013. A receivable in the amount of \$319,633 has been recorded for non-operating grants at June 30, 2014.

During fiscal year 2014, the Academy entered into a capital lease agreement for copiers in the amount of \$142,507.

*See accompanying notes to the basic financial statements.*

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**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the 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. During fiscal year 2012, the Academy and Sponsor approved an additional contract for a period of five years commencing July 1, 2012 and ending June 30, 2017. 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 and six Board members. 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 42 certified full-time teaching personnel and 10 non-certified employees who provide services to 455 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 position (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 position (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 more significant of the Academy's accounting policies are described below.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**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, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Equity consists of net total position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 position, 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 2014, 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, 2014.



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

During fiscal year 2014, 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, classroom materials 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 OneNet grant, the Straight A grant, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title II-A grant, the Race to the Top grant, the Federal School Breakfast Program and the Federal School Lunch Program. 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 2014 was \$1,521,468.

**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 position. These items are reported as assets on the statement of net position 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.

**I. Compensated Absences**

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

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**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 Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**3. DEPOSITS AND INVESTMENTS**

**A. Cash with Fiscal Agent**

The Academy had \$480,007 in cash held by the University of Dayton and with the Dayton Foundation at June 30, 2014. 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, 2014, the carrying amount of all Academy deposits was \$608,290. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$593,208 of the Academy's bank balance of \$843,208 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 that are not FDIC insured. 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 uninsured 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, 2014, 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>\$33,912</u>	<u>\$33,912</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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$33,912</u>	<u>100.00</u>

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

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$608,290
Investments	33,912
Cash with fiscal agent	480,007
Cash on hand	100
Total	<u>\$1,122,309</u>

**Cash and investments per statement of net position:**

Business-type activities	<u>\$1,122,309</u>
--------------------------	--------------------

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

<b>Accounts:</b>	
<b>Intergovernmental:</b>	
Title I	\$234
Title II-A	443
IDEA Part B	394
Race to the Top	9,946
Race to the Top Early College	20,966
Race to the Top Innovation	24,740
Race to the Top Battelle	24,496
Straight A	219,339
Federal lunch program	19,075
<b>Total</b>	<u><u>\$319,633</u></u>

**5. LONG-TERM OBLIGATIONS**

Changes in the Academy's long-term obligations during fiscal year 2014 were as follows:

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Due Within One Year</u>
Capital lease obligation payable	\$27,123	\$142,507	(\$47,587)	\$122,043	\$27,019
Total governmental activities long-term liabilities	<u>\$27,123</u>	<u>\$142,507</u>	<u>(\$47,587)</u>	<u>\$122,043</u>	<u>\$27,019</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, 2014, follows:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>
<b>Capital assets, being depreciated:</b>				
Equipment	\$92,549	\$150,471	(\$61,645)	\$181,375
Vehicles	26,700			26,700
Total capital assets, being depreciated	<u>119,249</u>	<u>150,471</u>	<u>(61,645)</u>	<u>208,075</u>
<b>Less: Accumulated Depreciation:</b>				
Equipment	(53,987)	(28,178)	39,037	(43,128)
Vehicles	(10,235)	(2,670)		(12,905)
Total accumulated depreciation	<u>(64,222)</u>	<u>(30,848)</u>	<u>39,037</u>	<u>(56,033)</u>
Net Capital Assets	<u>\$55,027</u>	<u>\$119,623</u>	<u>(\$22,608)</u>	<u>\$152,042</u>

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. PURCHASED SERVICES**

Purchased services include the following:

Professional and technical services	\$228,751
Property services	505,216
Travel mileage/meeting expense	36,065
Communications	27,353
Contracted craft or trade	179,850
Tuition	6,129
Pupil transportation	64,849
Total purchased services	<u>\$1,048,213</u>

**8. CAPITAL LEASES - LESSEE DISCLOSURE**

In the current year and in a prior fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease 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 \$142,507, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$23,751, leaving a current book value of \$118,756. Principal and interest payments in the 2014 fiscal year totaled \$22,527 and \$6,953, 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, 2014:

Fiscal Year Ending June 30,	Amount
2015	\$32,508
2016	32,508
2017	32,508
2018	32,508
2019	5,419
Total future minimum lease payments	135,451
Less: amount representing interest	(13,408)
Present value of future minimum lease payments	<u>\$122,043</u>

**9. OPERATING LEASES**

The Academy entered into a lease for fiscal year 2014 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 2014 was \$471,272 payable in twelve monthly payments. During fiscal year 2014, the Academy received a discount from the University of Dayton of \$195,272 in lease payments. This amount has been recorded as "donations and contributions" on the statement of revenues, expenses and changes in net position.

The following is a schedule of the future minimum rental payments required under the operating lease as of June 30, 2014:

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. OPERATING LEASES (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	<u>\$276,000</u>

**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 2014, 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 United Healthcare 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 "Employers/Audit Resources".

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. PENSION PLANS (Continued)**

**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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$43,251, \$41,053 and \$33,639, respectively; 79.04 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. PENSION PLANS (Continued)**

**Funding Policy** - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$303,661, \$284,965 and \$251,014, respectively; 93.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$32,440 made by the Academy and \$16,715 made by the plan members.

**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, 2014 certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**13. POST-EMPLOYMENT 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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 "Employers/Audit Resources".



**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**13. POST-EMPLOYMENT BENEFITS (Continued)**

**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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,417, \$4,519 and \$3,341, respectively; 79.04 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$2,509, \$2,319 and \$1,987, respectively; 79.04 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 2014, 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, 2014, 2013 and 2012 were \$23,359, \$21,920 and \$19,309, respectively; 93.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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, 2014.

**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. As a result of the review after fiscal year end, the Academy owes \$142 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

**15. SERVICE AGREEMENTS**

**Dayton City School District**

The Academy entered into a five-year contract effective on July 1, 2012 and continuing through June 30, 2017 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 1.00% sponsorship fee, based on State foundation revenue. During fiscal year 2014, the Academy made \$31,580 in payments to the Sponsor.

**16. ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Dayton Educational Computer Association** - The Academy is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area school districts sharing computer resources. MDECA is an association of public school districts in a geographical 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 instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium. During fiscal year 2014, the Academy paid \$10,698 to MDECA. To obtain financial information, write to the Metropolitan Dayton Educational Computer Association, Dean Reineke, who serves as Executive Director, 225 Linwood Street, Dayton, Ohio 45405.

**18. RELATED PARTIES**

The Superintendent and Treasurer of Dayton Early College Academy serve in the same capacity for DECA Prep. Members of the Governing Board for Dayton Early College Academy also serve on the board for DECA Prep. During fiscal year 2014, Dayton Early College Academy served as fiscal agent for the Conner Donation grant and the Straight A grant for DECA Prep. During fiscal year 2014, \$121,057 in funds were passed through Dayton Early College Academy.

These are reflected as intergovernmental expenses on the basic financial statements.

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**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<b>Passed Through Ohio Department of Education</b>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$11,347		\$11,347
Cash Assistance:					
School Breakfast Program	10.553	\$28,960		\$28,960	
National School Lunch Program	10.555	94,759		94,759	
Total Child Nutrition Cluster		<u>123,719</u>	<u>11,347</u>	<u>123,719</u>	<u>11,347</u>
Total U.S. Department of Agriculture		<u>123,719</u>	<u>11,347</u>	<u>123,719</u>	<u>11,347</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<b>Passed Through Ohio Department of Education</b>					
Title I Grants to Local Educational Agencies	84.010	397,313		357,208	
Special Education Grants to States	84.027	64,942		57,229	
Improving Teacher Quality State Grants	84.367	7,524		8,592	
ARRA - State Fiscal Stabilization Fund (SFSF) -					
Race to the Top Incentive Grants:					
Race to the Top - CCIP	84.395	46,246		40,714	
Race to the Top - Early College		82,417		95,332	
Race to the Top - Innovative		243,107		254,928	
Race to the Top - Resident Educator		700		509	
<b>Passed Through the Battelle Memorial Institute</b>					
Race to the Top - Ohio Battelle		<u>158,004</u>		<u>97,173</u>	
Total ARRA - State Fiscal Stabilization Fund (SFSF) -		<u>530,474</u>		<u>488,656</u>	
Race to the Top Incentive Grants:					
Total U.S. Department of Education		<u>1,000,253</u>		<u>911,685</u>	
Total Federal Awards Receipts and Expenditures		<u>\$1,123,972</u>	<u>\$11,347</u>	<u>\$1,035,404</u>	<u>\$11,347</u>

*The accompanying notes are an integral part of this schedule.*

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**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's) 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 – FOOD DONATION PROGRAM**

The Academy reports commodities consumed on the Schedule at the entitlement value. The Academy allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Dayton Early College Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 12, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

February 12, 2015





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Dayton Early College Academy's (the Academy) compliance with the applicable 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 the Dayton Early College Academy's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

### ***Management's Responsibility***

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

### ***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2014-001 in the accompanying schedule of findings, the Academy did not comply with requirements regarding Special Testes & Provisions – Verification of Free and Reduced Price Applications (NSLP) applicable to its Child Nutrition Cluster major federal programs. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the Dayton Early College Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2014.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Dayton Early College Academy complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

***Other Matters***

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

***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

The Academy's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the Academy's response and, accordingly, we express no opinion on it

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2015

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**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<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>	No
<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>	Yes
<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>	Child Nutrition Cluster – Qualified ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants - Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553) National School Lunch Program (CFDA #10.555)  ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants (CFDA #84.395)
<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**

None

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

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	School Breakfast Program (CFDA #10.553) National School Lunch Program (CFDA #10.555)
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**7 CFR §245.6(a)(c)(1)** states, in part, that the local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. **7 CFR §245.6(a)(c)(3)** further states that unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

- (i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.
- (iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable.
- (iv) If the number of error-prone applications exceeds the required sample size, the local educational agency shall select the required sample at random, i.e., each application has an equal chance of being selected, from the total number of error-prone applications.

For the purposes of this section, “error prone application” means an approved household application that indicates monthly income within \$100 or annual income within \$1,200 of the applicable income eligibility limit for free or for reduced meals.

The Academy had a total of 262 free and reduced applications. In accordance with the requirements of 7CFR section 245.6, the Academy verified eight applications (3.05%) during fiscal year 2014. However, out of the eight applications verified, five or 62.5% were for families who did not qualify for free and reduced price meal benefits.

The Academy should establish policies and procedures to verify that verification requirements are properly met and only approved applications are pulled for verification. Failure to do so could result in families receiving benefits for which they do not qualify.

**Official’s Response:** See corrective action plan on page 35

**DAYTON EARLY COLLEGE ACADEMY  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The Treasurer will review verifications performed by staff to ensure all applicable requirements, regarding verifications, have been met.	February 13, 2015	Nicholas Martin, Treasurer

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# Dave Yost • Auditor of State

**DAYTON EARLY COLLEGE ACADEMY, INC.**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2015**