



Dave Yost • Auditor of State

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the accompanying financial statements of North Dayton School of Discovery, Montgomery County, (the School), as of and for the fiscal year ended June 30, 2010, 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 did not audit the contract service fees incurred by the School during fiscal year 2010 which totaled \$6,568,825 as indicated in Note 10. Other auditors audited this amount and have furnished their report thereon to us and we base our opinion, insofar as it relates to the amount included in Note 10, on the report of the other auditors.

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. The other auditors audited the contracted services incurred by the School in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Dayton School of Discovery, Montgomery County, as of June 30, 2010, and the respective changes in financial position and cash flows, for the fiscal 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 February 17, 2011, 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.

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

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



Dave Yost
Auditor of State

February 17, 2011

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of North Dayton School of Discovery's (the School) financial performance provides an overall review of the School's financial activities through June 30, 2010. 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.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

For the fiscal year ended June 30, 2010, total assets were \$478,546, total liabilities were \$463,835, and total net assets were \$14,711.

Using this Financial Report

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

Reporting the School as a Whole

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

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities for the School, which encompass all the School's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The table below provides a summary of the School's net assets for fiscal years ended June 30:

| | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|
| Assets: | | |
| Current assets | \$469,667 | \$367,687 |
| Capital assets, net of accumulated depreciation | 8,879 | 9,924 |
| Total assets | <u>478,546</u> | <u>377,611</u> |
| Liabilities—current | <u>463,835</u> | <u>328,243</u> |
| Net assets: | | |
| Invested in capital assets | 8,879 | 9,924 |
| Unrestricted | 5,832 | 39,444 |
| Total net assets | <u>\$ 14,711</u> | <u>\$ 49,368</u> |

The unrestricted net assets represent the accumulated results of the School's operations to date. These assets can be used to finance day to day operations without constraints, such as legislative or legal requirements. The results of the current year operations for the School as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets, which shows the change in net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The table below shows the changes in net assets as well as a listing of revenues and expenses for the fiscal years ending June 30:

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|------------------------|------------------------|
| Operating revenues: | | |
| Foundation payments | \$3,933,713 | \$4,500,404 |
| Food services | 15,545 | 19,263 |
| Other revenues | 11,353 | 13,358 |
| Total operating revenues | <u>3,960,611</u> | <u>4,533,025</u> |
| Operating expenses: | | |
| Contracted service fee | 6,568,825 | 5,889,908 |
| Depreciation | 1,045 | 817 |
| Total operating expenses | <u>6,569,870</u> | <u>5,890,725</u> |
| Operating loss | <u>(2,609,259)</u> | <u>(1,357,700)</u> |
| Non-operating revenues: | | |
| Federal grants | 1,817,645 | 1,077,874 |
| State grants | 12,601 | 22,030 |
| Private sources—NHA | 744,356 | 258,335 |
| Total non-operating revenues | <u>2,574,602</u> | <u>1,358,239</u> |
| Change in net assets | <u>(\$ 34,657)</u> | <u>\$ 539</u> |

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

As reported in the Statement of Revenues, Expenses and Changes in Net Assets, the cost of business activities was \$6,569,870. These activities were primarily funded by the School's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. Revenues—Private sources —NHA represent a credit granted by NHA for the excess of School expenses over public revenues available.

The School experienced a decrease in net assets of \$34,657 in 2010. Under the terms of the agreement with NHA, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net assets is the timing of these discretionary expenditures.

Capital Assets

At June 30, 2010, the School had \$8,879 invested in capital assets with purchases through the Charter School Grant and board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors

The School depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the School in 2011.

Contacting the School's Financial Management

The financial report is designed to provide users of the report with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

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**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets:

Current Assets:

| | |
|------------------------------|----------------|
| Cash | \$13,797 |
| Intergovernmental Receivable | <u>455,870</u> |
| Total Current Assets | <u>469,667</u> |

Non-current Assets:

| | |
|---|--------------|
| Capital Assets (Net of accumulated depreciation) | <u>8,879</u> |
| Total Assets | 478,546 |

Liabilities:

| | |
|--|----------------|
| Accounts Payable | 1,135 |
| Deferred Revenue | 552 |
| Due to National Heritage Academies, Inc. | <u>462,148</u> |
| Total Liabilities | <u>463,835</u> |

Net Assets:

| | |
|----------------------------|------------------------|
| Invested in Capital Assets | 8,879 |
| Unrestricted for | <u>5,832</u> |
| Total Net Assets | <u><u>\$14,711</u></u> |

See accompanying notes to basic financial statements.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | |
|---|------------------------|
| Operating Revenues: | |
| Foundation Payments | \$3,933,713 |
| Food Services | 15,545 |
| Other Revenues | <u>11,353</u> |
| Total operating revenues | <u>3,960,611</u> |
| | |
| Operating Expenses: | |
| Contracted service fee | 6,568,825 |
| Depreciation Expense | <u>1,045</u> |
| Total operating expenses | <u>6,569,870</u> |
| | |
| Operating Loss | <u>(2,609,259)</u> |
| | |
| Non-Operating Revenue: | |
| Federal grants | 1,817,645 |
| State grants | 12,601 |
| Private Sources - National Heritage Academies, Inc. | <u>744,356</u> |
| Total Non-operating revenues | <u>2,574,602</u> |
| | |
| Change in Net Assets | (34,657) |
| | |
| Net Assets - Beginning of Year | <u>49,368</u> |
| | |
| Net Assets - End of Year | <u><u>\$14,711</u></u> |

See accompanying notes to the basic financial statements.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Cash Flows From Operating Activities:

| | |
|---|--------------------|
| Cash received from State of Ohio | \$3,918,274 |
| Cash received from food services | 11,353 |
| Cash received from other operating revenue | 16,097 |
| Cash paid on behalf of the Academy for goods and services | <u>(6,433,785)</u> |
| Net cash used in operating activities | <u>(2,488,061)</u> |

Cash Flows From Non-Capital Financing Activities -

| | |
|--|------------------|
| Federal grants received | 1,698,627 |
| State grants received | 12,601 |
| Support from private sources - National Heritage Academies, Inc. | <u>744,356</u> |
| Net cash from non-capital financing activities | <u>2,455,584</u> |

Net Increase (Decrease) in Cash (32,477)

Cash at Beginning of Year 46,274

Cash at End of Year 13,797

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities:**

Operating Loss \$ (2,609,259)

Adjustments to reconcile operating loss to net cash used for operating activities:

Depreciation 1,045

Changes in assets and liabilities -

Increase in state foundation receivable (15,439)

Increase in accounts payable 1,135

Increase in deferred revenue 552

Increase in Due to National Heritage Academies, Inc. 133,905

Net Cash Used in Operating Activities (\$2,488,061)

See accompanying notes to the basic financial statements.

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**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. NATURE OF OPERATIONS

North Dayton School of Discovery (the "School") is an Ohio Public School School which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under an approved charter received from Lucas County Educational Service Center ("LCESC" or the "Sponsor"), which is responsible for oversight of the School's operations. The charter's term expires on May 14, 2012 at which time it will automatically renew on a year-to-year basis, unless at least 90 days written notice is given by either the School or LCESC.

The School provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The School was established and is operated as a non-profit corporation under Chapter 1702 of the Ohio Revised Code and believes itself to be exempt from taxation under Internal Revenue Code Section 115(1) because its income is derived from the exercise of an essential governmental function and accrues to the State of Ohio. Donations to the School qualify as a charitable deduction under Internal Revenue Code Section 170(c)(1).

The School's primary source of revenue is provided by the State of Ohio and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July through June for each fiscal year.

The School operates under the direction of a Board of Directors (the "Board"). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The facility lease term is from July 1st to June 30th and is renewable on a year to year basis. The agreement will continue until termination of the charter contract, inclusive of any charter contract renewals, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources. Revenues—private sources—National Heritage Academies, Inc. represent a contribution granted by NHA for the excess of School expenditures over public revenues available.

The Board of North Dayton School of Discovery serves in the same capacity for Pathway School of Discovery in Dayton, Ohio.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 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 does not apply FASB statements or interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprises activities.

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.

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash Deposits

For cash management, all cash received by the Chief Financial Officer is pooled in a non-interest bearing central bank account. Total cash for the School is presented as "Cash" on the accompanying Statement of Net Assets. Cash as of June 30, 2010, represents bank deposits, which are covered by federal depository insurance.

F. Capital Assets

Capital assets, which include other equipment, are reported in the government-wide financial statements at historical cost. Capital assets are defined as other equipment purchased through the Charter School Grant with an estimated useful life in excess of one year and assets purchased by the School with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

G. Current Liabilities

Due to National Heritage Academies, Inc.—this amount consists of payments due to NHA for management services rendered in fiscal year 2010.

H. Operating Revenues and Expenses

Intergovernmental Revenues—the School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid ("DPIA") Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is 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.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At fiscal year end June 30, 2010, the School had no restricted net assets.

J. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS

At fiscal year end June 30, 2010, the School's bank balance was \$14,162. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, none of the bank balance was exposed to custodial risk as discussed below, all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Bank or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

4. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

| | Amounts |
|-------------------------------------|----------------|
| Title I | \$ 85,547 |
| Title IIA | 21,465 |
| Title V | 1,460 |
| Title I School Improvement | 45,022 |
| Title I ARRA | 150,650 |
| IDEA ARRA | 120,142 |
| National School Lunch and Breakfast | 16,145 |
| Due from state | 15,439 |
| Total intergovernmental receivables | \$455,870 |

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2010 was as follows:

| | Balance 6/30/09 | Additions | Deletions | Balance 6/30/10 |
|------------------------------------|----------------------------|------------------|------------------|----------------------------|
| Depreciable Capital Assets: | | | | |
| Furniture | \$ 776 | | | \$ 776 |
| Equipment | 162,510 | | | 162,510 |
| Total Depreciable Capital Assets | 163,286 | | | 163,286 |
| Less Accumulated Depreciation | | | | |
| Furniture | (776) | | | (776) |
| Equipment | (152,586) | (\$1,045) | | (153,631) |
| Total Accumulated Depreciation | (153,362) | (1,045) | | (154,407) |
| Capital Assets, Net | \$ 9,924 | (\$1,045) | \$ 0 | \$ 8,879 |

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School contributes to 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP 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, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$199,332, \$206,349, and \$216,418 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$47,171 made by the School and \$33,694 made by plan members.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School was 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 2010, 12.78 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. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$46,557, \$35,799, and \$28,275, respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. Although the employees at the North Dayton School of Discover are either SERS or STRS, NHA has also opted to enroll the employees in the Federal Insurance Corporation of America (Social Security). Each employee's liability is 6.2 percent of wages paid, and NHA's liability is 6.2 percent of total wages paid.

7. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$18,962, \$16,506, and \$16,963 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employee Retirement System

Plan Description - The School contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 obligation 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 the School Employees Retirement System, 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 fiscal 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 fiscal year 2010, .46 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 fiscal year 2010, the surcharge amount was \$5,501.

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.

The School's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$1,676, \$16,383, and \$12,903 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,769, \$2,954, and \$2,037 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Indiana Insurance Company. General liability coverage provides \$1,000,000 per occurrence and \$5,000,000 in the aggregate with no deductible. The Indiana Insurance Company also provides umbrella liability coverage of \$1,000,000 per occurrence, as well as, in the aggregate. There have been no significant reductions in insurance coverage during fiscal year 2010, and claims did not exceed coverage during the past three fiscal years.

9. 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 management, 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 FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in the State funding being adjusted. The School does not anticipate any material adjustments to State funding for fiscal year 2011, as a result of such a review.

10. CONTRACTED SERVICE FEE

NHA incurred the following actual direct and indirect expenses on behalf of the School for the year ended June 30, 2010:

| | |
|-------------------------------------|---------------------------|
| Direct Expenses: | |
| Salaries, wages and benefits | \$2,995,788 |
| Professional and technical services | 512,781 |
| Contracted (trade) services | 42,979 |
| Property services | 994,363 |
| Books, periodicals and films | 134,111 |
| Supplies | 225,389 |
| Utilities | 66,418 |
| Food and related supplies | 343,627 |
| Travel and training | 147,530 |
| Purchases service | 58,774 |
| Equipment lease and purchases | 193,072 |
| Field trips and student activities | 9,537 |
| Insurance and property taxes | 135,993 |
| Total Direct Expenses | <u>5,860,362</u> |
| Total Indirect Expenses (Overhead) | 708,463 |
| Total Contracted Service Fee | <u><u>\$6,568,825</u></u> |

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. CONTRACTED SERVICE FEE (Continued)

NHA charges expenses benefiting more than one school (i.e. indirect overhead expenses) based on key cost drivers. These charges represent indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

11. SPONSORSHIP AGREEMENT

The School entered into a sponsorship agreement with the LCESC. This agreement provides that LCESC receives approximately 1.5 percent of State Foundation funds received by the School from the State of Ohio. This amounted to \$58,774 for fiscal year 2010.

12. RELATED PARTIES

The Board of North Dayton School of Discovery serves in the same capacity for Pathway School of Discovery in Dayton, Ohio. National Heritage Academies, Inc. is also serves as the management company for Pathway School of Discovery.

13. OPERATING LEASE

The School has entered into a sub-lease for classroom facilities with National Heritage Academies, Inc., located at 3901 Turner Road, Dayton, Ohio, 45415. The terms of the lease are for one year commencing on July 1, and ending on June 30. For the fiscal year 2010, the rental amounts for the lease were \$797,440 annually, payable in equal monthly installments of \$66,453. In addition, the lease terms require the School to be responsible for all costs associated with the facilities including property taxes and maintenance costs.

The School subsequently renewed the sub-lease with National Heritage Academies on June 2, 2010 for the period of July 1, 2010 through June 30, 2011 for an annual rental payment of \$809,760, payable in twelve monthly payments of \$67,480.

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**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Fiscal Year | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|---------------------------|----------------|--------------------|----------------------|--------------------|--------------------------|
| United States Department of Agriculture | | | | | | |
| (Passed through Ohio Department of Education) | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Cash Assistance: | | | | | | |
| School Breakfast Program | 10.553 | 2010 | \$78,966 | | \$78,966 | |
| | | 2009 | 13,588 | | 13,588 | |
| Total School Breakfast Program | | | <u>92,554</u> | | <u>92,554</u> | |
| Non-Cash Assistance (Food Distribution) | | | | | | |
| National School Lunch Program | 10.555 | 2010 | | \$16,941 | | \$16,941 |
| Cash Assistance | | | | | | |
| National School Lunch Program | 10.555 | 2010 | 214,423 | | 214,423 | |
| | | 2009 | 2,399 | | 2,399 | |
| Total National School Lunch Program | | | <u>216,822</u> | <u>16,941</u> | <u>216,822</u> | <u>16,941</u> |
| Total Child Nutrition Cluster | | | <u>309,376</u> | <u>16,941</u> | <u>309,376</u> | <u>16,941</u> |
| Total United States Department of Agriculture | | | <u>309,376</u> | <u>16,941</u> | <u>309,376</u> | <u>16,941</u> |
| United States Department of Education | | | | | | |
| (Passed through Ohio Department of Education) | | | | | | |
| Title I Part A Cluster | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2010 | 466,325 | | 505,300 | |
| | | 2009 | 210,712 | | 158,968 | |
| School Improvement Subsidy A, Title I | 84.010 | 2010 | 14,978 | | 18,055 | |
| Total Title 1 Grants to Local Educational Agencies and School Improvement | | | <u>692,015</u> | | <u>682,323</u> | |
| ARRA Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 2010 | 213,741 | | 232,086 | |
| Total Title I Part A Cluster | | | <u>905,756</u> | | <u>914,409</u> | |
| Special Education Cluster | | | | | | |
| Special Education Grants to States | 84.027 | 2010 | 129,718 | | 132,771 | |
| | | 2009 | | | 2,998 | |
| ARRA Special Education Grants to States, Recovery Act | 84.391 | 2010 | 31,525 | | 91,017 | |
| Total Special Education Cluster | | | <u>161,243</u> | | <u>226,786</u> | |
| Education Technology State Grants | | | | | | |
| | 84.318 | 2010 | 4,793 | | 4,793 | |
| | | 2009 | 5,803 | | | |
| Total Education Technology State Grants | | | <u>10,596</u> | | <u>4,793</u> | |
| Improving Teacher Quality State Grants | | | | | | |
| | 84.367 | 2010 | 13,033 | | 13,218 | |
| | | 2009 | 4,767 | | 2,557 | |
| Total Improving Teacher Quality Grants | | | <u>17,800</u> | | <u>15,775</u> | |
| School Improvement Subsidy G, Title I | | | | | | |
| | 84.377 | 2009 | 8,195 | | | |
| ARRA State Fiscal Stabilization Fund - Education State Grants | | | | | | |
| | 84.394 | 2010 | 268,868 | | 258,803 | |
| Total United States Department of Education, Recovery Act | | | <u>1,372,458</u> | | <u>1,420,566</u> | |
| Total Federal Financial Assistance | | | <u>\$1,681,834</u> | <u>\$16,941</u> | <u>\$1,729,942</u> | <u>\$16,941</u> |

The schedule of federal award receipts and expenditures is presented on the cash basis of accounting.

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Dave Yost • Auditor of State

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

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the financial statements of North Dayton School of Discovery, Montgomery County, (the School), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated February 17, 2011, which indicated that the amounts presented in Note 10 were audited by other auditors. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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

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

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

Dave Yost
Auditor of State

February 17, 2011



Dave Yost • Auditor of State

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

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

Compliance

We have audited the compliance of North Dayton School of Discovery, Montgomery County, (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 could directly and materially affect each of North Dayton School of Discovery's major federal programs for the fiscal year ended June 30, 2010. 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 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the 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 North Dayton School of Discovery complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated February 17, 2011.

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



Dave Yost
Auditor of State

February 17, 2011

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR FISCAL YEAR ENDING JUNE 30, 2010**

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 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? | No |
| (d)(1)(iv) | Were there any 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(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Title I – Part A Cluster, (Title I Grants to Local Educational Agencies and School Improvement Subsidy A, Title 1, CFDA #84.010, and ARRA-Title I Grants to Local Educational Agencies Recovery Act, CFDA #84.389) ARRA - State Fiscal Stabilization Fund Education State Grants – Recovery Act - CFDA# 84.394 |
| (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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

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

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

1. We noted the Board approved its anti-harassment policy at its meeting on June 2, 2010.
2. We read the policy, to determine if it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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

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

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



Dave Yost
Auditor of State

February 17, 2011



Dave Yost • Auditor of State

NORTH DAYTON SCHOOL OF DISCOVERY

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 31, 2011**