



Dave Yost • Auditor of State

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Dayton Early College Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Dayton Early College Academy, Montgomery County, Ohio, as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Dave Yost
Auditor of State

March 1, 2013

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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, 2012 are as follows:

- In total, net assets were \$841,080 at June 30, 2012.
- The Academy had operating revenues of \$2,869,044, operating expenses of \$4,444,232, non-operating revenues and contributions and donations of \$1,073,947, and non-operating expenses of \$3,351 for the fiscal year ended June 30, 2012. Total change in net assets for the fiscal year ended June 30, 2012 was a decrease of \$504,592.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-23 of this report.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The table below provides a summary of the Academy's net assets at June 30, 2012 and June 30, 2011.

Net Assets		
	2012	2011
Assets:		
Current assets	\$1,339,199	\$1,470,046
Capital assets, net	73,725	92,422
Total assets	1,412,924	1,562,468
Liabilities:		
Current liabilities	544,721	177,800
Non-current liabilities	27,123	38,996
Total liabilities	571,844	216,796
Net Assets:		
Invested in capital assets, net of related debt	34,749	42,449
Restricted	289,588	350,601
Unrestricted	516,743	952,622
Total net assets	\$ 841,080	\$1,345,672

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's net assets totaled \$841,080.

At year-end, capital assets represented 5.22% of total assets. Capital assets consisted of equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$34,749. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The table below shows the changes in net assets for the fiscal year 2012 and 2011.

Change in Net Assets		
	2012	2011
Operating Revenues:		
State foundation	\$2,828,046	\$2,508,882
Classroom materials and fees	2,906	6,736
Charges for services	32,241	34,081
Other	5,851	9,697
Total operating revenues	2,869,044	2,559,396
Operating Expenses:		
Personnel services	2,811,011	2,498,070
Purchased services	1,238,661	948,538
Materials and supplies	294,593	169,996
Other	81,270	69,294
Depreciation	18,697	17,059
Total operating expenses	4,444,232	3,702,957

(Continued)

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

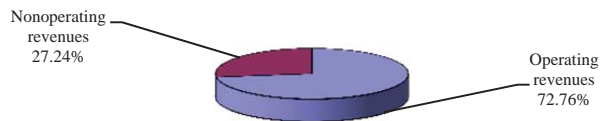
**Change in Net Assets
(Continued)**

	2012	2011
Non-operating Revenues/(Expenses):		
Intermediate, State and Federal grants	739,948	1,032,712
Earnings on investments	2,770	2,268
Donations and contributions	331,229	344,752
Interest expense	(3,351)	(3,763)
Total non-operating revenues/(expenses)	1,070,596	1,375,969
Change in net assets	(504,592)	232,408
Net assets at beginning of year	1,345,672	1,113,264
Net assets at end of year	<u>\$ 841,080</u>	<u>\$1,345,672</u>

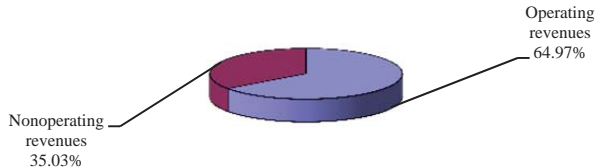
Operating revenues of the Academy increased \$309,648 or 12.10%. This increase can mainly be attributed to an increase in State foundation revenue. State foundation revenue rose due to the addition of 11 students from the prior fiscal year. Operating expenses increased \$741,275. Personnel services expenses increased due to an increase in salaries and benefits. Purchased services increased due primarily to an increase in expenses related to property services. Materials and supplies expenses increased due to the Academy purchasing more materials and supplies in fiscal year 2012 than in fiscal year 2011. Intermediate, state and federal grants decreased \$292,764 due mainly to a decrease in amount received for the Education Jobs grant and the State fiscal stabilization funds.

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2012 and 2011.

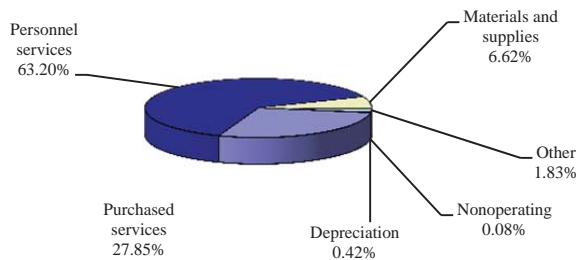
2012 Revenues



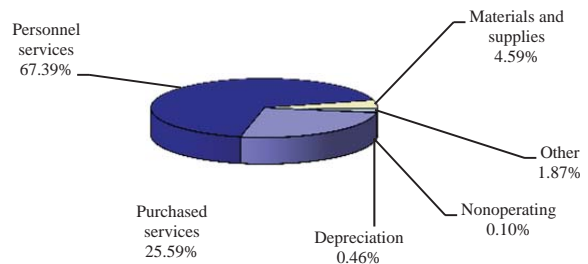
2011 Revenues



2012 Expenses



2011 Expenses



**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Capital Assets

At June 30, 2012, the Academy had \$73,725 invested in equipment and vehicles. See Note 6 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2012, the Academy had \$38,976 in capital leases outstanding. Of this total, \$11,853 is due in one year and \$27,123 is due in more than one year

Current Financial Related Activities

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

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Deb Dynes, Treasurer, Dayton Early College Academy 300 College Park Dayton, OH 45469-2930.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$759,659
Cash with fiscal agent	412,197
Receivables:	
Accounts	55,143
Intergovernmental	106,730
Prepayments	5,470
Total current assets	1,339,199

Non-current assets:

Depreciable capital assets, net	73,725
Total non-current assets	73,725

Total assets	1,412,924
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Liabilities:

Current liabilities:

Accounts payable	73,964
Accrued wages and benefits	138,883
Pension obligation payable	56,187
Intergovernmental payable	263,834
Capital leases obligation	11,853
Total current liabilities	544,721

Non-current liabilities:

Capital lease obligation	27,123
Total non-current liabilities	27,123

Total liabilities	571,844
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Net assets:

Invested in capital assets, net of related debt	34,749
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Restricted for:

Locally funded programs	28,721
Federally funded programs	227,134
Other purposes	33,733
Unrestricted	516,743

Total net assets	\$841,080
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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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating revenues:	
State foundation	\$2,828,046
Classroom materials and fees	2,906
Charges for services	32,241
Other	5,851
Total operating revenues	<u>2,869,044</u>
Operating expenses:	
Personnel services	2,811,011
Purchased services	1,238,661
Materials and supplies	294,593
Other operating expenses	81,270
Depreciation	18,697
Total operating expenses	<u>4,444,232</u>
Operating loss	<u>(1,575,188)</u>
Non-operating revenues (expenses):	
Intermediate, State and federal grants	739,948
Earnings on investments	2,770
Donations and contribution	331,229
Interest expense	(3,351)
Total non-operating revenues (expenses)	<u>1,070,596</u>
Change in net assets	(504,592)
Net assets at beginning of year	<u>1,345,672</u>
Net assets at end of year	<u><u>\$841,080</u></u>

See accompanying notes to the basic financial statements.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:

Cash received from foundation	\$2,828,046
Cash received from classroom materials and fees	3,062
Cash received from charges for services	32,241
Cash received from other operations	5,851
Cash payments for personnel services	(2,738,484)
Cash payments for purchased services	(1,328,287)
Cash payments to suppliers for goods and supplies	(202,594)
Cash payments for other expenses	(81,929)

Net cash used in operating activities	(1,482,094)
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Cash flows from noncapital financing activities:

Cash received from intermediate, State and federal grants	914,093
Cash received from donations and contributions	600,579

Net cash provided by noncapital financing activities	1,514,672
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Cash flows from capital and related financing activities:

Interest paid on capital leases	(3,351)
Principal paid on capital leases	(10,997)

Net cash used in capital and related financing activities	(14,348)
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Cash flows from investing activities:

Interest received	2,770
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Net cash provided by investing activities	2,770
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Net increase in cash and cash equivalents	21,000
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Cash and cash equivalents at beginning of year	1,150,856
Cash and cash equivalents at end of year	1,171,856

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	(1,575,188)
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Adjustments:

Depreciation	18,697
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Changes in assets and liabilities:

(Increase) in accounts receivable	(47,479)
Decrease in prepayments	12,546
Increase in accounts payable	50,520
Increase in accrued wages and benefits	27,471
Increase in intergovernmental payable	576
Increase in pension obligation payable	30,763

Net cash used in operating activities	(\$1,482,094)
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Non-cash transaction:

During fiscal year 2012, the Academy received \$280,875 in non-operating grants, which was recognized as a receivable at June 30, 2011. A receivable in the amount of \$106,730 has been recorded for non-operating grants at June 30, 2012.

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, 2012**

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, five Board members and the Academy's Treasurer. The Academy's Treasurer is a non-voting member of the Board. The Academy's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 35 certified full-time teaching personnel and 8 non-certified employees who provide services to 413 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Equity consists of net total assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

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

D. Cash and Investments

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

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Non-participating investments contracts are reported at cost.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012.

During fiscal year 2012, cash the Academy received was maintained in demand deposit accounts.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$2,500. The Academy does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

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

F. Operating Revenues and Expenses

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

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title II-A grant, the Education Jobs grant, the Race to the Top grant, the Federal Title II-D grant, the Federal School Breakfast Program, Federal School Lunch Program, the Emergency Contingency Fund for Temporary Assistance for Needy Families and the Charter School Dissemination grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Intermediate, State and Federal grant revenue for the fiscal year 2012 was \$739,948.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepayments

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

I. 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.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets have been restricted for locally and federally funded programs. Net assets restricted for other purposes includes amounts restricted for food service.

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

3. DEPOSITS AND INVESTMENTS

A. Cash with Fiscal Agent

The Academy had \$412,197 in cash held by the University of Dayton and with the Dayton Foundation at June 30, 2012. 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. Of this balance, \$256,715 is due to Dayton Early College Academy Prep. This amount is a component of "intergovernmental payable" on the statement of net assets.

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, 2012, the carrying amount of all Academy deposits was \$725,679. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$593,949 of the Academy's bank balance of \$843,949 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, 2012
(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 not insured by FDIC. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

D. Investments

As of June 30, 2012, 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	\$33,880	\$33,880

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$33,880	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

Cash and investments per note:	
Carrying amount of deposits	\$ 725,679
Investments	33,880
Cash with fiscal agent	412,197
Cash on hand	100
Total	\$1,171,856
 Cash and investments per statement of net assets:	
Business-type activities	\$1,171,856

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2012 consisted of accounts (billings for user charged services) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net assets follows:

Accounts	\$ 55,143
Intergovernmental:	
Title I	23,853
Title II-A	9,657
Title II-D	1,922
IDEA Part B	95
Race to the Top	23,794
Charter School Dissemination	28,710
Federal breakfast and lunch program	16,622
Professional development grant	2,077
Total	\$161,873

5. LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2012 were as follows:

	Balance 06/30/11	Additions	Reductions	Balance 06/30/12	Due Within One Year
Capital lease obligation payable	\$49,973		(\$10,997)	\$38,976	\$11,853
Total governmental activities long-term liabilities	\$49,973	\$0	(\$10,997)	\$38,976	\$11,853

Capital Lease Obligation: See Note 8 for details.

6. CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2012, follows:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
Capital assets, being depreciated:				
Equipment	\$92,549			\$92,549
Vehicles	26,700			26,700
Total capital assets, being depreciated	119,249			119,249
Less: Accumulated Depreciation:				
Equipment	(21,932)	(\$16,027)		(37,959)
Vehicles	(4,895)	(2,670)		(7,565)
Total accumulated depreciation	(26,827)	(18,697)		(45,524)
Net Capital Assets	\$92,422	(\$18,697)	\$0	\$73,725

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	\$ 423,833
Property services	486,459
Travel mileage/meeting expense	10,318
Communications	59,558
Contracted craft or trade	144,547
Tuition	200
Pupil transportation	67,578
Other	46,168
Total purchased services	\$1,238,661

8. CAPITAL LEASES - LESSEE DISCLOSURE

In the current fiscal year and a prior fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of \$61,645, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$26,708, leaving a current book value of \$34,937. Principal and interest payments in the 2012 fiscal year totaled \$10,997 and \$3,351, 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, 2012:

Fiscal Year Ending June 30,	Amount
2013	\$14,347
2014	14,347
2015	13,332
2016	1,614
Total future minimum lease payments	43,640
Less: amount representing interest	(4,664)
Present value of future minimum lease payments	\$38,976

9. OPERATING LEASES

The Academy entered into a lease for fiscal year 2012 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 2012 was \$483,000 payable in twelve monthly payments. During fiscal year 2012, the Academy received a discount from the University of Dayton of \$207,000 in lease payments. This amount has been recorded as "donations and contributions" on the statement of revenues, expenses and changes in net assets.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, 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 School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates.

11. OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

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

12. PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 2012, 12.65 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 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$33,639, \$27,015 and \$20,308, respectively; 88.42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$251,014, \$224,543 and \$209,775, respectively; 88.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$45,613 made by the Academy and \$32,581 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, 2012, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in 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 premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 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, under "Employers/Audit Resources".

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$3,341, \$5,971 and \$1,976, respectively; 88.42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,987, \$1,738 and \$1,208, respectively; 88.42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

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, 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 2012, 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, 2012, 2011 and 2010 were \$19,309, \$17,273 and \$16,137, respectively; 88.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

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 fiscal year-end review, the Academy owed Ohio Department of Education \$4,665.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. SERVICE AGREEMENTS

Dayton City School District

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

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

The Academy paid the Sponsor a 1.75% sponsorship fee, based on State foundation revenue. During fiscal year 2012, the Academy made \$49,197 in payments to the Sponsor.

16. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

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 2012, the Academy paid \$8,513 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.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

18. SUBSEQUENT EVENT

On July 1, 2012, Dayton Early College Academy Prep ("DECA Prep") began operations as a separately established school. Of the balance of cash with fiscal agent held by the Academy, \$256,715 is due to DECA Prep.

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**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$6,387		\$6,387
Cash Assistance:					
School Breakfast Program	10.553	\$31,880		\$31,880	
National School Lunch Program	10.555	96,202		96,202	
Total Child Nutrition Cluster		<u>128,082</u>	<u>6,387</u>	<u>128,082</u>	<u>6,387</u>
Total U.S. Department of Agriculture		<u>128,082</u>	<u>6,387</u>	<u>128,082</u>	<u>6,387</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	239,537		217,669	
ARRA - Title I Grants to Local Educational Agencies	84.389	71,754		29,856	
Total Title I, Part A Cluster		<u>311,291</u>		<u>247,525</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	78,676		70,289	
ARRA - Special Education Grants to States	84.391	8,567		4,956	
Total Special Education Cluster		<u>87,243</u>		<u>75,245</u>	
Education Technology State Grants					
Improving Teacher Quality State Grants	84.318	746		825	
Charter Schools	84.282	130,373		96,607	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top					
Incentive Grants	84.395	166,695		244,778	
Education Jobs Fund	84.410	83,818		82,768	
Total U.S. Department of Education		<u>783,004</u>		<u>753,460</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Direct Receipt</i>					
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	200		200	
Total		<u>\$911,286</u>	<u>\$6,387</u>	<u>\$881,742</u>	<u>\$6,387</u>

The accompanying notes are an integral part of this schedule.

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

To the Board of Directors:

We have audited the financial statements of the Dayton Early College Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 1, 2013.

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Dayton Early College Academy
Montgomery County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Dave Yost
Auditor of State

March 1, 2013



Dave Yost • Auditor of State

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

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

To the Board of Directors:

Compliance

We have audited the compliance of Dayton Early College Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Dayton Early College Academy's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

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

In our opinion, the Dayton Early College Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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 significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a material weakness.

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

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, 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

March 1, 2013

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012 -001
CFDA Title and Number	Title I Grants to Local Educational Agencies (84.010) ARRA - Title I Grants to Local Educational Agencies (84.389)
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

The Academy has the ultimate responsibility for ensuring proper posting of all federal receipts and expenditures to the Federal Awards Receipts and Expenditures Schedule (the Schedule). The Academy's 2012 Federal Awards Receipts and Expenditures Schedule, which was presented on the cash basis of accounting, erroneously included the following transfers and advances out as federal expenditures:

- \$41,353 and \$71,754 in Title I Grants to Local Educational Agencies and ARRA - Title I Grants to Local Educational Agencies, CFDA's 84.010 and 84.389
- We also noted similar errors in several non-major programs.

The Schedule was adjusted to correctly report the Academy's federal expenditures.

**FINDING NUMBER 2012-001
(Continued)**

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

Official's Response: See Page 35

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Improper Posting of Cash with Fiscal Agent and Donation Revenue	Yes	

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	The inclusion of transfers and advances in the Federal Schedule was an oversight of the Treasurer. This error will be corrected in future federal schedules	June 30, 2013	Deborah Dynes, Treasurer

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Dave Yost • Auditor of State

DAYTON EARLY COLLEGE ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2013