



Dave Yost • Auditor of State

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Dayton SMART Bilingual Academy
Montgomery County
601 S. Keowee Street
Dayton, Ohio 45410

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2015

Dayton SMART Bilingual Academy
Montgomery County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

As management of Dayton SMART Bilingual Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$656,442 (negative net position).
- At fiscal year-end, the School's total assets were \$812,070 and total liabilities were \$1,468,512.
- The School was able to open without the aid of any state or federal start-up grants.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Dayton SMART Bilingual Academy
Montgomery County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2014.

Table 1
Net Position at Year End

	<u>2014</u>
Assets:	
Current and Other Assets	\$ 11,926
Capital Assets, Net	<u>800,144</u>
Total Assets	<u>812,070</u>
Liabilities:	
Current Liabilities	979,318
Noncurrent Liabilities	<u>489,194</u>
Total Liabilities	<u>1,468,512</u>
Net Position:	
Investment in Capital Assets	(2,832)
Unrestricted	<u>(653,610)</u>
Total Net Position	<u>\$ (656,442)</u>

Fiscal year 2014 was the first year of operations. In future years, a comparative analysis will be presented.

Dayton SMART Bilingual Academy
Montgomery County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2014.

Table 2
Changes in Net Position

	2014
Operating Revenues:	
Unrestricted Grants in Aid	\$ 406,406
Restricted Grants in Aid	47,145
Total Operating Revenues	453,551
Operating Expenses:	
Salaries and Wages	328,678
Fringe Benefits	98,701
Purchased Services	434,618
Materials and Supplies	240,220
Depreciation	23,803
Other	14,232
Total Operating Expenses	1,140,252
Operating (Loss)	(686,701)
Nonoperating Revenues	
Federal and State Grants	20,624
Contributions and Donations	7,500
Other Non-Operating Revenue	2,135
Total Nonoperating Revenues	30,259
Change in Net Position	(656,442)
Net Position, Beginning of Year	-
Net Position, End of the Year	\$ (656,442)

Fiscal year 2014 was the first year of operations. In future years, a comparative analysis will be presented.

Dayton SMART Bilingual Academy
Montgomery County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets

At fiscal year-end, the School had \$800,144 invested in capital assets. This balance represents the amount in which current year capital acquisitions of \$823,947 exceeded current year depreciation of \$23,803. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School's notes payable balance was \$1,337,532. This balance represents new loans totaling \$1,358,503 offset by principal payments totaling \$20,971. For more information on debt, see Note 6 to the basic financial statements.

Current Financial Issues

The School is dependent upon legislative and governmental support to fund ongoing operations. The School is expected to grow in both the number of students and support staff as it enters the second year of operation, which will impact the School's funding since the School receives a majority of its financial support from per student state foundation payments.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Dayton SMART Bilingual Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Dayton SMART Bilingual Academy, 601 South Keowee Street, Dayton, OH 45410.

Dayton SMART Bilingual Academy
MONTGOMERY COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Assets:

Current Assets	
Cash and Cash Equivalents	\$ 5,096
Intergovernmental Receivable	3,488
Security Deposit	3,342
Total Current Assets	11,926
Noncurrent Assets	
Capital Assets, Net	800,144
Total Noncurrent Assets	800,144
Total Assets	812,070

Liabilities:

Current Liabilities	
Accounts Payable	102,981
Accrued Wages and Benefits Payable	20,926
Intergovernmental Payable	7,073
Notes Payable	848,338
Total Current Liabilities	979,318
Long-Term Liabilities:	
Notes Payable	489,194
Total Long-Term Liabilities	489,194
Total Liabilities	1,468,512

Net Position:

Net Investment in Capital Assets	(2,832)
Unrestricted	(653,610)
Total Net Position	\$ (656,442)

See accompanying notes to the basic financial statements.

**Dayton SMART Bilingual Academy
MONTGOMERY COUNTY**

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

Operating Revenues:	
Unrestricted Grants in Aid	\$ 406,406
Restricted Grants in Aid	47,145
Total Operating Revenues	<u>453,551</u>
Operating Expenses:	
Salaries	328,678
Fringe Benefits	98,701
Purchased Services	434,618
Materials and Supplies	240,220
Depreciation	23,803
Other	14,232
Total Operating Expenses	<u>1,140,252</u>
Operating Loss	<u>(686,701)</u>
Non-Operating Revenues:	
Federal and State Grants	20,624
Contributions and Donations	7,500
Other Non-Operating Revenue	2,135
Total Non-Operating Revenues	<u>30,259</u>
Change in Net Position	(656,442)
Net Position Beginning of Year	-
Net Position End of Year	<u>\$ (656,442)</u>

See accompanying notes to the basic financial statements.

**Dayton SMART Bilingual Academy
MONTGOMERY COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:	
Received from Foundation Payments	\$ 406,406
Received from Disadvantaged Pupil Impact Aid	47,145
Payments to Suppliers for Goods and Services	(545,021)
Payments to Employees for Services and Benefits	(384,345)
Payments to Other	(14,232)
Net Cash Used for Operating Activities	<u>(490,047)</u>
Cash Flows from Noncapital Financing Activities:	
Received from Federal and State Grants	18,061
Received from Loan	488,418
Received from Contributions and Donations	7,500
Other Non-Operating Receipts	2,135
Net Cash from Noncapital Financing Activities	<u>516,114</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(635,612)
Received from Loan	635,612
Principal Paid on Loan	(20,971)
Net Cash Used for Capital and Related Financing Activities	<u>(20,971)</u>
Net Increase in Cash and Cash Equivalents	5,096
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u>\$ 5,096</u>

See accompanying notes to the basic financial statements.

Dayton SMART Bilingual Academy
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Operating Loss	\$ (686,701)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	23,803
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(925)
Security Deposit	(3,342)
Accounts Payable	102,981
Accrued Wages and Benefits Payable	20,926
Intergovernmental Payable	7,073
Notes Payable	46,138
Net Cash Used for Operating Activities	\$ (490,047)

Schedule of Noncash Transactions:

During the fiscal year, the School borrowed \$78,468 to finance the purchase of a bus and \$109,867 for building improvements.

See accompanying notes to the basic financial statements.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Dayton Smart Bilingual Academy (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through three. The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school’s tax exempt status.

The School was approved for operation under contract with the Ohio Council of Community Schools (the Sponsor) commencing July 1, 2013 and expiring on June 30, 2016. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School (Note 12).

The School operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School’s one instructional/support facility by 2 non-certified and 7 certificated full time teaching personnel who provide services to 61 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, 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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 part 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 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.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (except Ohio Revised Code Section 5705.391 which requires a 5-year forecast) unless specifically provided in the contract between the School and its sponsor. The Contract between the School and its Sponsor does not prescribe a budgetary process for the School: therefore no budgetary information is presented in the financial statements.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 years
Building and Improvements	25 years
Furniture, Fixtures, and Equipment	3-5 years
Vehicles	7 years

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

G. Compensated Absences

Vacation and sick leave benefits are not carried forward to future fiscal years. The School does not pay sick leave benefits upon termination or retirement.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. The School has no deferred outflows of resources or deferred inflows of resources at fiscal year-end. The School applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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

J. Estimates

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

NOTE 3 – DEPOSITS

At June 30, 2014, the carrying amount of the School's deposits was \$5,096 and the bank balance was \$22,817. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

<u>Funding Source</u>	<u>Amount</u>
Federal Grants:	
Food Service	\$ 2,563
SERS Overpayment	925
Total Intergovernmental Receivables:	<u>\$ 3,488</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Land Improvements	\$ -	\$ 23,500	\$ -	\$ 23,500
Building Improvements	-	703,511	-	703,511
Furniture, Fixtures, and Equipment	-	18,468	-	18,468
Vehicles	-	78,468	-	78,468
Total Capital Assets	<u>-</u>	<u>823,947</u>	<u>-</u>	<u>823,947</u>
Less Accumulated Depreciation:				
Land Improvements	-	(1,175)	-	(1,175)
Building Improvements	-	(14,070)	-	(14,070)
Furniture, Fixtures, and Equipment	-	(2,953)	-	(2,953)
Vehicles	-	(5,605)	-	(5,605)
Total Accumulated Depreciation	<u>-</u>	<u>(23,803)</u>	<u>-</u>	<u>(23,803)</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 800,144</u>	<u>\$ -</u>	<u>\$ 800,144</u>

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 6 – LONG TERM OBLIGATIONS

The changes in the School’s long-term obligation during the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Mangen Note	\$ -	\$ 830,035	\$ -	\$ 830,035	\$ 830,035
Hubert Note	-	450,000	-	450,000	-
Bus Loan	-	78,468	(20,971)	57,497	18,303
Total	<u>\$ -</u>	<u>\$ 1,358,503</u>	<u>\$ (20,971)</u>	<u>\$ 1,337,532</u>	<u>\$ 848,338</u>

In fiscal year 2014, the School entered into a promissory note with Joann and Ed Hubert Family Foundation for operations. The note was approved for \$450,000. The note carried an interest rate of 0% and a maturity date of December 31, 2015.

In fiscal year 2014, the School entered into a Promissory Note with Mangen Family Foundation for operations and capital improvements. The note carried an interest rate of 0% and a maturity date of January 1, 2015.

On August 27, 2013, the School entered borrowed \$78,468 to finance the purchase of a school bus. The note carried an interest rate of 4.64% and a maturity date of August 27, 2016.

Debt-service-to-maturity requirements to retire the notes are as follows:

Fiscal Year Ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 848,338	\$ 2,668	\$ 851,006
2016	469,153	1,818	470,971
2017	20,041	930	20,971
Total	<u>\$ 1,337,532</u>	<u>\$ 5,416</u>	<u>\$ 1,342,948</u>

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 7 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School contracted with Argonaut Insurance Company for general liability, property insurance, educational errors and omissions insurance.

Coverages are as follows:

Building and Contents (\$5,000 deductible)	\$ 4,210,000
Educational Errors and Omissions	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded commercial coverage in the past year.

Worker’s Compensation

The School pays the State Worker’s Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor that is calculated by the State.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

a. School Employees Retirement Pension

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School’s required contribution for pension obligations to SERS for the fiscal year ended June 30, 2014 was \$5,956. The entire amount has been contributed for fiscal years 2014.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

b. State Teachers Retirement System of Ohio

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost sharing, multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options – New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan, and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” allocation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) time the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final years will be calculated at 2.5% instead of 2.2%.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

DC Plan Benefits – DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination or reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursements of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouse and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy – Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014, was \$38,411. For fiscal year 2014, the School has contributed 87% of the required amount. The unpaid contribution has been recorded as a liability.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 9 – POSTEMPLOYMENT BENEFITS

a. School Employees Retirement Pension

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part b premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement for 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocated a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required was .76%. The School contribution for the year ended June 30, 2014 was \$346. The entire amount has been contributed for fiscal year 2014.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. SERS offers several types of health care plans from various vendors, 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 pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remained of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .14%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contribution assigned to health care for the year ended June 30, 2014 was approximately \$871. The entire amount has been contributed for fiscal year 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 9 – POSTEMPLOYMENT BENEFITS (continued)

b. State Teachers Retirement System of Ohio

Plan Description – The School contributes to the cost-sharing, multiple employer postemployment 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. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for year ended June 30, 2014. The 14% employer contribution rate is the maximum rate established under Ohio law. The School’s contribution to STRS Ohio allocated to post-employment health care for the year ended June 30, 2014 were \$2,955. For fiscal year 2014, the School has contributed 87% of the required amount. The unpaid contribution has been recorded as a liability.

NOTE 10 – EMPLOYEE BENEFITS

Insurance Benefits

The School provides life insurance to all employees through a private carrier. Coverage in the amount of \$10,000 is provided to all certified and non-certified employees. Health and Dental insurance coverage is provided through Anthem and Superior Dental Care.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 11 – PURCHASED SERVICES

During the fiscal year ended June 30, 2014, other purchased service expenses for services rendered by various vendors were as follows:

Health Services	\$ 730
Management Services	1,919
Other Professional and Technical Services	214,869
Repairs and Maintenance Services	25,369
Garbage Removal and Cleaning	3,513
Rentals	5,258
Other Property Services	19,027
Travel and Meeting Expense	866
Postage	585
Advertising	42,168
Utilities	53,042
Contracted Food Services	42,738
Transportation Services	24,534
Total	<u>\$ 434,618</u>

NOTE 12 – CONTRACTED FISCAL SERVICES

The School is a party to a fiscal services agreement with Mangen & Associates (M&A), which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer/Accounting Services
3. CCIP Administration

The School made no payments during fiscal year 2014 but had a liability for services of \$84,218 as of June, 30, 2014 which is included as part of accounts payable.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 13 – CONTINGENCIES

a. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of management, and such disallowed claims will not have a material adverse effect on the overall financial position of the School at fiscal year-end.

b. State Funding

The Ohio Department of Education conducts reviews of enrollment data and Full Time Equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2013-2014 school year; however, the conclusion of this review did not have a material effect on the financial statements.

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

NOTE 14 – CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the School to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School.

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

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

NOTE 15 – MANAGEMENT’S PLAN TO ADDRESS DEFICIT NET POSITION

Dayton SMART Bilingual Academy (DSBA) began operations in fiscal year 2014 with loan support from private foundations since financial assistance was not available from the normal State / Federal start-up grants. These loans enabled DSBA to purchase and renovate the current School facility and provide gap funding for ongoing operations since State Foundation payments were not adequate to cover the high-quality instruction program provided to DSBA students during FY14.

At June 30, 2014, the Academy had a deficit unrestricted net position of \$656,442. This negative net position is a direct result of start-up building renovations supplemental instruction staff costs plus purchases of school furniture, technology equipment and curriculum required to support the School's instruction program. Fortunately, the School's Management Team had experience with starting Ohio community schools without the benefit of State/Federal start-up grants and has developed a comprehensive long-range plan to eliminate the deficit balance. The Management's plan includes four primary areas of focus: (1) grow current student enrollment, (2) continue return-on-investment budgeting, (3) trim expenditures not directly tied to student learning growth and (4) continued focus on process improvements in school operations and instruction. As of March 2015, the Management Team has succeeded in making progress in each of these four priority areas. The School's enrollment improved significantly from FY14 to FY15, the use of ROI budgeting is in place for all spending requests, expenditures are evaluated for impact on student learning growth prior to approval and internal auditing is conducted on a quarterly basis to ensure continued process improvements.

The DSBA Team (Board, Management, Teachers and Staff) will continue directing a significant amount of time and energy toward making stronger family connections to expand the awareness of the Academy's high academic performance and grow future student enrollment. In addition, financial planning will continue to focus on ROI confirmation for all purchases, trimming costs through process improvements and continued spending restrictions for any purchases not directly aligned to the Academy's instruction program. During fiscal year 2014, the School remained current on all outstanding payables with the exception of it's Management Company, Mangan & Associates (M&A). The amount owed to M&A at June 30, 2014 included reimbursements for payments made by M&A to vendors on behalf of DSBA for school start-up purchases and contracted service fees. The objective for fiscal year 2015 through 2017 is to pay off a portion of the amount owed to M&A, the Mangan Family Foundation and the Hubert Family Foundation when cash flow is adequate to cover these payments while leaving enough cash to sustain a high-quality instruction program for DSBA students. The School's Board has adopted a five-year balanced budget for FY15-FY19 which includes a plan for the sustaining payments toward the loan balance to the Mangan Family Foundation and the Hubert Family Foundation and the M&A outstanding payable. The long-term objective is to build an unencumbered cash reserve equal to three months of core operating expenditures to meet ongoing cash flow requirements without the need for an outside loan or any philanthropic contributions

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Dave Yost • Auditor of State

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

Dayton SMART Bilingual Academy
Montgomery County
601 S. Keowee Street
Dayton, Ohio 45410

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Dayton SMART Bilingual Academy, Montgomery County, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

School's Response to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2015

**DAYTON SMART BILINGUAL ACADEMY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

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

Finding Number 2014-001

Material Weakness – Financial Statement Errors

The School's financial statements for fiscal year 2014 were prepared in accordance with Generally Accepted Accounting Principles as required by the Ohio Administrative Code. The following material error was noted with regards to the basic financial statements requiring adjustment to the financial statements:

- The School recorded \$200,000 in additional loans from the Hubert Foundation as contribution and donations revenues on the financial statements rather than as a notes payable liability.

The following immaterial errors were noted with regards to the basic financial statements and did not require an adjustment to the financial statements:

- The School recorded \$23,760 in salaries expenses as purchased services.
- The School did not record or report \$11,333 in liabilities related to expenditures made by the management company on behalf of the school, which were to be repaid.

To improve the accuracy and completeness of the School's basic financial statements and to provide for comparative financial statements from year to year, the School should implement procedures to review the basic financial statements for accuracy and completeness, failure to do so could result in materially misstated financial statements.

Official's Response:

The School has added an extra step (double proof) during the review of the basic financial statements to ensure the highest level of accuracy and completeness prior to submission.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Dayton SMART Bilingual Academy
Montgomery County
601 S. Keowee Street
Dayton, Ohio 45410

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 Dayton SMART Bilingual Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted that the Board adopted an anti-harassment policy on February 28, 2013.
2. We read the policy, noting that it included the following requirements from Ohio Rev. Code Section 3313.666;
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;
 - (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;

We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666;

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on a school bus;
- (2) 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 and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

March 23, 2015



Dave Yost • Auditor of State

DAYTON SMART ELEMENTARY SCHOOL dba DAYTON SMART BILINGUAL ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 19, 2015**