ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Academy of Dayton Community School
Montgomery County
4905 Little Richmond Road
Dayton, Ohio 45427

To the Governing Board:

We have audited the accompanying financial statements of the Academy of Dayton Community School, Montgomery County (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements 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 financial position of the Academy of Dayton Community School as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As shown in the accompanying financial statements, the Academy has incurred a working capital deficiency of $1,229,724, an operating loss of $214,797, and an accumulated deficit of $936,148, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2009, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2008
(UNAUDITED)

This section of the Academy of Dayton's (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

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 of Dayton financially as a whole.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses and Change in Accumulated Deficit
Statement of Cash Flows

Notes to the Basic Financial Statements

Reporting the Academy as a Whole

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

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

The statement of net assets and the statement of revenues, expenses and change in accumulated deficit report the activities for the Academy, which encompass all of the Academy's services, including salaries and benefits, purchased services, materials and supplies and depreciation. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a summary of The Academy's net assets as of June 30, 2008.

Table 1
Net Assets

	2008 (in thousands)	2007 (in thousands)
Assets		
Current and other assets	$ 327.0	$ 260.0
Capital assets, net of accumulated depreciation	293.6	311.6
Total assets	620.6	571.6
Liabilities		
Current liabilities	1,556.7	1,356.1
Net Assets		
Invested in Capital Assets – Net of related debt	293.6	311.6
Unrestricted	(1,229.7)	(1,096.1)
Total Net Assets (Deficit)	($936.1)	($ 784.5)

The Academy's net assets decreased from the prior year by approximately $151,600 resulting in a net asset deficit of approximately $936,100. The Academy's deficit financial position is primarily a result of low student enrollment.

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's activities is discussed below. The Academy's net deficit, as of June 30, 2008, was approximately $936,100. Capital assets recorded at historical cost, net of depreciation, totaled $293,576. No long-term debt was used to finance the acquisition of those assets. The Academy does not have any restricted net assets. The remaining amount of net deficit of approximately $1,229,700 was unrestricted.

The $1,229,700 in unrestricted net deficit represents the accumulated results of the past years' operations. Since the unrestricted net assets balance is in a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenues, expenses and change in accumulated deficit summarized in (Table 2), which shows the changes in net assets (accumulated deficit) for fiscal year 2008.

Table 2
Changes in Net Assets

	2008 (in thousands)	2007 (in thousands)
Operating Revenues		
Foundation	$661.4	$617.5
Donated Management Company Fees	98.1	0.0
Donated Management Company Overhead	81.1	0.0
Donated Lease	135.4	0.0
Other	36.8	1.0
Non-Operating Revenues		
Grants-State	6.9	8.1
Grants-Federal	56.3	166.4
Total Revenues	1,076.0	793.0

(Continued)

Table 2
Changes in Net Assets
(Continued)

	2008 (in thousands)	2007 (in thousands)
Operating Expenses		
Salaries	409.2	345.0
Fringe Benefits	106.3	65.4
Payroll Taxes	5.8	16.6
Rent	135.4	0.0
Purchased Services	459.1	344.5
Materials and Supplies	87.7	53.3
Depreciation	24.1	30.1
Total Expenses	1,227.6	854.9
Increase (Decrease) in Net Assets	(151.6)	(61.9)
Net Assets(Deficit), beginning of year	(784.5)	(722.6)
Net Assets(Deficit), end of year	($936.1)	($784.5)

As reported in table 2, the cost of all of our activities this year was approximately $1,227,600. Certain activities were partially funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefits" portion of our activities with approximately $661,400 in state foundation allowance.

The Academy experienced a decrease in net assets of approximately $151,600 this school year. The Key reason for the change in net assets is insufficient student enrollment to support the Academy's operations.

Budgetary Highlights

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates.

Capital Assets and Debt Administration

As of June 30, 2008, the Academy had $293,576 invested in capital assets, including leasehold improvements, furniture and equipment. This amount represents a net decrease, including additions and disposals, of $17,983.

Capital Assets	2008 (in thousands)	2007 (in thousands)
Leasehold improvements	$339.9	$333.8
Furniture and equipment	116.3	116.2
Sub-Total	456.2	450.0
Less: Accumulated Depreciation	(162.6)	(138.5)
Capital Assets, net	$293.6	$311.5

This year's addition of $6,150 to leasehold improvements consisted of a new air conditioning unit. No debt was issued for these additions.

No major capital projects are planned for the near future. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Academy did not have any outstanding debt other than normal trade payables and payables to the management company, which are recorded on an accrual basis.

Other obligations include accrued salaries, benefits, and vacation pay.

Economic Factors and Next Year's Budgets and Rates

Our administration considers many factors when setting the Academy's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is based on the student count and the foundation allowance per pupil. The 2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 61 percent of the revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on current enrollment data at the start of the 2008-09 school year, we anticipate that the fall student count will be below the estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, the Academy will amend the budget if actual Academy resources are not sufficient to fund the original appropriation.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The impact on the Academy of the State's projected revenue is not known.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the funds it receives. Questions concerning any of the information in this report should be directed to:

Andrew Burks, Fiscal Officer
Academy of Dayton Community School
c/o Charter School Administration Services, Inc.
20755 Greenfield Rd, Suite 300,
Southfield, MI 48075

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Current Assets	
Cash	$135,030
Intergovernmental Receivable	70,867
Other Receivable	53,391
Prepaid Expenses	67,680
Total Current Assets	326,968
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation)	293,576
Total Assets	620,544
Liabilities	
Current Liabilities	
Accounts Payable	1,452,549
Intergovernmental Payable	62,933
Accrued Wages and Benefits	41,210
Total Liabilities	1,556,692
Net Assets	
Invested in Capital Assets	293,576
Unrestricted (Deficit)	(1,229,724)
Total Net Assets/(Accumulated Deficit)	($936,148)

The notes to the financial statements are an integral part of this statement.

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	$661,392
Donated Management Company Fees	98,134
Donated Management Company Overhead	81,070
Donated Lease	135,360
Other	36,815
Total Operating Revenue	1,012,771
Operating Expenses	
Salaries	409,175
Fringe Benefits	106,257
Payroll Taxes	5,783
Rent	135,360
Purchased Services	459,102
Materials and Supplies	87,758
Depreciation	24,133
Total Operating Expenses	1,227,568
Operating Loss	(214,797)
Non-Operating Revenues	
Grants - State	6,924
Grants - Federal	56,268
Total Non-Operating Revenues	63,192
Change in Net Assets	(151,605)
Accumulated Deficit, Beginning of Year	(784,543)
Accumulated Deficit, End of Year	($936,148)

The notes to the financial statements are an integral part of this statement.

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash Flow from Operating Activities	
Cash Received from State Foundation	$717,443
Cash Received from Other	815
Cash Payments to Suppliers for Goods and Services	(154,864)
Cash Advanced to Vendor	(66,763)
Cash Payments to Employees for Services	(406,429)
Cash Payments for Employees Benefits	(98,181)
Net Cash Used for Operating Activities	(7,979)
Cash Flows from Noncapital Financing Activities	
Grants Received - State	4,924
Grants Received - Federal	148,980
Net Cash Provided for Noncapital Financing Activities	153,904
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(6,150)
Net Increase in Cash	139,775
Cash, Beginning of Year	(4,745)
Cash, End of Year	135,030

Reconciliation of operating loss to net cash used for operating activities

Operating Loss	(214,797)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	24,133
Changes in Assets and Liabilities	
Increase in Intergovernmental Receivable	(19,239)
Decrease in Accounts Receivable	74,199
Increase in Accounts Payable	102,593
Increase in Prepaid Expense	(66,763)
Increase in Intergovernmental Payable	56,916
Increase in Accrued Wages and Benefits	34,979
Total Adjustments	206,818
Net Cash Used for Operating Activities	($7,979)

Non-cash Items

During the fiscal year ended June 30, 2008, lease obligations of $135,360; management company fees of $98,134 and management company overhead of $81,070 were forgiven and not evidenced by cash transactions.

The notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Academy of Dayton (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to prepare all students to be successful citizens, cooperative workers and profitable entrepreneurs by developing their unique potential. The program is offered for students in kindergarten through third grade. 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 school.

The Academy was approved for operation under contract with the Ashe Cultural Center, Inc. (Sponsor) for a three year period commencing on June 30, 2006 through April 14, 2009. The Academy became operational during July of 2000. The Sponsor is responsible for evaluating the performance of the Academy 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 the direction of a self-appointing five-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be 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 Academy has one instructional/support facility staffed by a principal, 7 full-time certified teaching personnel and 4 non-certified support personnel who provide services to an enrollment of approximately100 students.

The Board has entered into a management contract with Charter School Administration Services, Inc. (CSAS), to provide consulting services including teacher training, curriculum development, financial management, and State relations. (See Notes 9 and 13)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. In accordance with GASB Statement No. 33, after fiscal year 2000, capital contributions from other governments and private sources are recorded as non-operating revenues and reported as retained earnings. The operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates.

D. Cash

The Academy's management company, Charter School Administration Services, Inc. (CSAS), which serves as the Academy's fiscal agent, accounts for all monies received by the Academy. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name. Monies for all funds of the Academy are maintained in this account. (See Note 3)

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. 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 not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of five years. Leasehold improvements are depreciated over the estimated useful life of 39.5 years.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Poverty Based Assistance (PBA) Program. These programs are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when resources are required to be used and the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2008, including:

Accrued Wages and Benefits Payable - salary payments made after year-end that were for services rendered in fiscal year 2008. Personnel are paid year round; however, payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2008 for all salary payments made to teaching personnel during the summer of 2008.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are payments from the State Foundation Program and miscellaneous operating revenues. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Institute. All revenues and expenses not meeting these definitions are reported as non-operating.

J. Estimates

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

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was $135,030 and the bank balance was $160,816. Of the bank balance, $60,816 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name. The Academy has no deposit policy for custodial credit risk.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

During the fiscal year ended June 30, 2008, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

4. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2008 consist of Federal and State grant programs:

Grant	Amount
Title I	$44,046
Title II part A	2,625
Title II part D	730
Title IV	481
Title V	144
Idea B	1,602
State of Ohio (Retirement funds)	19,239
EMIS	2,000
Total Intergovernmental Receivable	$70,867

5. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2008, follows:

Capital Assets, being depreciated:	Balance 07/01/07	Additions	Deletions	Balance 06/30/08
Leasehold Improvements	$333,770	$ 6,150		$339,920
Furniture and Equipment	116,265			116,265
Sub-Total	450,035	6,150		456,185
Less: Accumulated Depreciation	(138,476)	(24,133)		(162,609)
Capital Assets, Net	$311,559	($17,983)	$0	$293,576

6. 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. For the year ended June 30, 2008, the Academy contracted with Employers Mutual Casualty Company for property and general liability insurance.

General liability is protected by Employers Mutual Casualty Company with a $1,000,000 single occurrence limit and $2,000,000 aggregate and no deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

6. RISK MANAGEMENT (Continued)

B. Worker's Compensation

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

C. Employee Medical, Dental, Vision, Prescription, and Life Benefits

The Academy has contracted with private carriers to provide employee medical, dental vision, prescription, and life benefits to its full time employees who work 40 or more hours per week.

7. DEFINED BENEFIT 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 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14% 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's contributions for pension obligations to SERS for the years ended June 30, 2008, 2007, and 2006 were $8,123, $9,082, and $14,428, respectively, equal to the required contributions for each year, of which 100 percent has been contributed.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Plan Options – New members have a choice of three retirement plan options. 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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated 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 biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

7. DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the 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; or (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” calculation. 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 purchased credit) times 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 over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 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.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the 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 – 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 of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit 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 reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A Defined Benefit 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 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 Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. 13% was the portion used to fund pension obligations. For fiscal years 2007 and 2006, the portion used to fund pension obligations was also 13%. The Academy's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007 and 2006 were $48,781, $38,609, and $58,106 respectively; equal to the required contributions for each year, of which 100 percent has been contributed for each fiscal year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

8. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

8. POST-EMPLOYMENT BENEFITS (Continued)

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

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $2,425, $2,154, and $3,526 respectively; 100 percent has been contributed for each fiscal year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $383, $441, and $804 respectively; 100 percent has been contributed for each fiscal year.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 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, 2008, 2007, and 2006 were $3,484, $2,758, and $4,150 respectively; 100 percent has been contributed for each fiscal year.

9. AGREEMENTS WITH CHARTER SCHOOL ADMINISTRATION SERVICES, INC.

The Academy originally entered into a two-year contract, effective July 1, 2004 through June 30, 2006, with Charter School Administration Services, Inc. (CSAS) for educational management services. The contract was extended through April 14, 2009. This agreement automatically renews for an additional term of one year and from year to year thereafter unless written notice of intent to terminate or renegotiate is given by either party. In exchange for its services, CSAS receives a management fee equal to 12% of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

a. Providing the support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy.

b. Implementation and administration of the Educational Program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs.

9. AGREEMENTS WITH CHARTER SCHOOL ADMINISTRATION SERVICES, INC. (Continued)

c. All personnel functions, including professional development for the Academy Administrator, all instructional personnel, and support staff.

d. Control, maintenance, and operation of the school building, and the installation of technology integral to the school design.

e. All aspects of the business administration of the Academy.

f. Transportation and food service for the Academy.

g. A projected annual budget prior to each school year.

h. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request.

i. Provide support for annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy.

j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year.

k. Any other function necessary or expedient for the administration of the Academy.

For the year ended June 30, 2008, the management company fees in the amount of $98,134 were waived. All fees were waived in an effort to eliminate the Academy's net asset deficit.

10. CONTINGENCIES

A. Grants

The Academy 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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claim will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

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. The fiscal year 2008 FTE adjustment resulted in a payable of $56,050 for the Academy as a result of the enrollment data review, which will be paid over 20 months starting November 2008.

11. OPERATING LEASE

The Academy entered into a lease for the period August 1, 2002, through June 30, 2006, with Education Real Estate, Inc. for a larger facility. The lease was extended through June 30, 2009. The lease calls for monthly payments of $11,280 per month for the period of the lease. A holdover provision allows the Academy to continue the terms of the current lease on a month-to-month basis at the conclusion of the lease provision. The Academy subordinated its interest in the lease to a mortgage held by Education Real Estate, Inc.'s bank. Rent payments in the amount of $135,360 for fiscal year 2008 were waived in an effort to reduce the Academy's net asset deficit. Rent payments in the amount of $67,680 paid during fiscal year 2008 have been recorded as prepaid expenses on the statement of net assets.

The Academy has also entered into leases commencing October 4, 2005 and February 1, 2006 for a term of 36 months for copiers. Payment made during the year 2008 totaled $9,168. The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2008:

Year ending June 30	Facility Rental	Copiers
2009	$135,360	$3,432
Future minimum payments	$135,360	$3,432

12. RELATED PARTIES

Two of the board members of the Academy are also board members of the Academy of Cleveland and the Academy of Business and Technology. Members of the Board of Trustees are not compensated.

The Academy entered into a lease for the period August 1, 2002, through June 30, 2009, with Education Real Estate, Inc. for a larger facility (See Note 11). Education Real Estate, Inc. is the real estate company of Charter School Administration Services, Inc. (CSAS), the Academy's management company. Total lease payments for the year ended June 30, 2008 to Education Real Estate, Inc. were waived for the current school year. Rent payments in the amount of $67,680 paid during fiscal year 2008 have been recorded as prepaid expenses on the statement of net assets.

Overhead fees which were earned by CSAS, the management company, were $0. All management company fees earned by CSAS were waived for the 2008 school year.

13. CONSORTIUM AGREEMENT

On August 23, 2000, the Board of Trustees approved joining a consortium with eighteen other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. (CSAS) under management agreements comparable to the management agreement between the Academy and CSAS (See Note 9). The Members of the consortium including the Academy are:

13. CONSORTIUM AGREEMENT (Continued)

Academy	State of Operation
Academy of Business and Technology	Ohio
Academy of Cleveland	Ohio
Academy of Kansas City Charter School	Missouri
Academy of Arizona	Arizona
Beaumont Charter Academy	Texas
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Lithonia	Georgia
Academy of Detroit West	Michigan
Academy of Oak Park	Michigan
Academy of Southfield	Michigan
Academy of Lathrup Village	Michigan
Academy of Flint	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

The Management Agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 2000, and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS has agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS, for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium, for the 2007-2008 school year, in an amount equal to $67 per month per student enrolled at the Academy. All fees in the amount of $81,070 were waived for the 2008 school year. (See Notes 9 and 12)

14. OTHER PURCHASED SERVICES

During the year ended June 30, 2008, other purchased service expenses for services rendered by various vendors were as follows:

Advertising	$ 32,153
Audit Fees	11,874
Equipment Leases	12,439
Food Service	45,066
Insurance	19,587
Legal	1,680
Maintenance and Repairs	22,601
Management Company Fees	179,204
Sponsorship Fees	21,523
Meetings and Conferences	391
Professional and Technical Services	62,221
Telephone	12,751
Utilities	26,250
Other	11,362
	$459,102

15. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the Academy had an accumulated deficit of $936,148 as of June 30, 2008, which is primarily due to accounts payable of $1,452,549 of which $1,319,630 was over 90 days old.

The Academy's long range plans are to seek increased enrollment.

16. NONCOMPLIANCE

The Academy did not comply with requirements regarding Trustee meetings, fiscal officer license or continued education, five year projections and sponsor meetings with the Board.

Mary Taylor, CPA
Auditor of State

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

Academy of Dayton Community School
Montgomery County
4095 Little Richmond Road
Dayton, Ohio 45427

To the Governing Board:

We have audited the financial statements the business-type activity of the Academy of Dayton Community School, Montgomery County (the Academy) as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 7, 2009, wherein we noted that the Academy has incurred an accumulated deficit, that raises substantial doubt about its ability to continue as a going concern. 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 expressing our opinion on the financial statements, but not to opine 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.

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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Internal Control Over Financial Reporting
(Continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. The significant deficiency described above as finding number 2008-001, is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated April 7, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 7, 2009.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Governing Board, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 7, 2009

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Material Weakness - Misclassifications

The Academy had been experiencing financial difficulty and presented an accumulated net deficit of $936,148 at June 30, 2008. In an effort to eliminate the Academy's net asset deficit, the Charter School Administration Services, Inc., the Academy's management company waived management company fees in amount of $98,134 and overhead costs in amount of $81,070 during fiscal year 2008. Education Real Estate, Inc., the real estate company of the management company also forgave $135,360 in rent payments due for 2008.

The Academy did not present these non-cash transactions on the financial statements. To present a clearer picture of Academy's finances, donated fees and lease should be presented as revenue on the operating statement with corresponding expenditures. Non-cash transactions should also be disclosed as a footnote on the statement of cash flows and in the notes to the financial statements. Adjustments have been made to the accompanying financial statements to present these memo transactions.

Additionally, during 2008, the Academy overpaid employer share of retirement. The overpayment amount had been presented as intergovernmental receivable on the financial statements. A variance of $9,129 was noted between the overpayment amount booked by the Academy and third party confirmations from the retirement boards. The Academy should contact the retirement boards and reconcile the overpayment amount. No adjustment was required for this variance.

Various other errors requiring adjustments were also noted on the Cash Flows Statement, Management's Discussion and Analysis and the Notes to the Financial Statements.

The Academy should implement procedures to properly calculate line items on its financial statements, classify revenues, and verify the year-end financial report reflects accurate information. Failure to do so could result in material misstatements on the financial statements.

Official's Response: The Academy disagrees with the Auditor of State's finding. The Academy did identify the waived fees and chose to reflect the reduction in fees as a waiver of expense rather than a donated service. The adjustments made by the Auditor of State to include the waived fees (non-cash transactions) as revenues and expenses in the Statement of Revenues, Expenses, and Changes in Accumulated Deficit reflects a difference in opinion as to presentation; not a material weakness. The adjustments made by the auditor had no material impact on the ending fund balance.

In the past, the Academy has never included non-cash transactions, related to the waiver of fees by the management company, in the financial statements; but rather disclosed such in the notes to the financial statements. The Auditor of State has never insisted on showing such transactions as non-cash items in the financial statements in the past. For the above reasons, the Academy believes that it is unreasonable to assert that the Academy is now incapable of properly calculating line items on its financial statements that may result in a material misstatement to the financial statements.

Auditor of State's Conclusion: Whether an omission or misstatement is material ultimately depends on its effect on the judgments of financial statements users. Inclusion of non-cash items in the financial statements provides the financial statement users with valuable information regarding related party transactions that would have resulted in increased liabilities and fund deficit on financial statements had they not been forgiven. Additionally, Government Accounting Standards Board (GASB) Statement No. 9 requires disclosing non-cash items.

FINDING NUMBER 2008-002

Non-Compliance

The Code of Regulations of Academy of Dayton, Article V, Board of Trustees – Section 7 Meetings: requires that the Board of Trustees shall hold an annual meeting and at least five regular meetings each year.

The Board only met three times during the 2008 school year. Additionally, the board did not hold an annual meeting. It is the Board's responsibility to meet all the requirements outlined in the Code of Regulations as well as to monitor the financial activity of the Academy on a regular basis. Failure to follow the Code weakens the Board's ability to meet its objectives as outlined in the Code of Regulations, as well as to adequately monitor the Academy's activities.

Official's Response: The Academy and the Academy's Board Trustees are aware of The Code of Regulations of the Academy of Dayton and will adhere to such in the future by ensuring that an adequate number of meetings are held.

FINDING NUMBER 2008-003

Non-Compliance

Ohio Rev. Code, Section 3314.011 requires that prior to assuming the duties of fiscal officer, the fiscal officer designated under this section shall be licensed under section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete an additional twenty-four hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer of the school. However, any such classes, courses, or workshops in excess of sixteen hours completed by the fiscal officer prior to assuming the duties of fiscal officer shall count toward the additional twenty-four hours of continuing education required under this section. In each subsequent year, any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete eight hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school.

The Chief Financial Officer did not hold a license under the above mentioned section of code and did not complete the required hours of continuing education in fiscal year 2008. The Academy and the sponsor should develop and implement procedures to provide that the Chief Financial Officer is either licensed or completes the appropriate number of continuing education hours.

Official's Response: The Academy has addressed this finding and the Chief financial Officer for the Academy is in the process of obtaining licensure. This process will be complete by next fiscal year.

FINDING NUMBER 2008-004

Non-Compliance

Ohio Admin. Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October 31st of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years.

Ohio Admin. Code Section 3301-92-04 (F) requires a board of education to update its five-year projection between April 1st and May 31st of each fiscal year and submit it to the department of education.

The Academy failed to file the October 2008 five-year projection report with the Department of Education. A five-year projection report was filed with the Department of Education on May 30, 2008; however, the amounts reported for non-operating revenues and expenditures were not legible and the projection did not report beginning and year end fund balances (deficit).

The Academy should evaluate the projections and revise the five year budget to more accurately reflect the current and projected activity of the Academy. Also, the Academy should verify that projection is accurate and complete as this will allow for the Department of Education to better monitor the Academy's finances.

Official's Response: The Academy will ensure that the five year projection is filed in a timely manner and is inclusive of all required information.

FINDING NUMBER 2008-005

Non-Compliance

Ohio Revised Code Section 3314.023 states, in part, that a representative of the sponsor shall meet the governing authority of the school and shall review the financial records of the school at least every two months. The Academy's sponsor, the Ashe Culture Center, Inc. did not meet with the Governing Board as required. The Governing Board and the sponsor should work together to amend their meeting schedules to allow the sponsor to meet with the Governing Board at least every two months as required by the above section of code to provide for better monitoring of the Academy's activities by the sponsor.

Official's Response: The Academy is aware that the sponsor contracts with representatives to attend academy board meetings and therefore has mechanisms place to facilitate compliance with the Ohio Revised Code. The sponsor will work closely with the Academy Board to ensure that a representative attends board meetings at least every two months as required by the Ohio Revised Code.

ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Code of Regulations, Article V - Failure to hold an annual meeting and at least five regular meetings.	No	Not Corrected – Repeated as finding 2008-002
2007-002	Contract for Start-up Community School, Section B.1. - Failure to file for tax exempt status under section 501(c)(3) of the Internal Revenue Code.	No	Finding No Longer Valid – Reinterpretation of Ohio Rev. Code Section 3314.03(A)(1)(a) and (b), all community schools are organized for a public and charitable purpose. Also, their assets inure to the State of Ohio by statute. Therefore, community schools are automatically exempt from Federal and State income taxes and do not require 501(c)(3) filling status.
2007-003	Ohio Rev. Code Section 3314.011 - Failure of the financial officer to obtain a license or to complete sixteen hours of continuing education.	No	Not Corrected - Repeated as finding 2008-003
2007-004	Ohio Rev. Code Section 5705.391 - Failure to properly prepare a five year projections of revenues and expenditures.	No	Not Corrected - Repeated as finding 2008-004
2007-005	Ohio Rev. Code Section 3314.023 - Failure of the Sponsor to meet with the Governing Board and review financial records of the Academy once every two months.	No	Partially Corrected – Repeated as finding 2008-005

ACADEMY OF DAYTON COMMUNITY SCHOOL

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 12, 2009