



Mary Taylor, CPA
Auditor of State

**DAYTON ACADEMY
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dayton View Academy School
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Governing Board:

We have audited the accompanying basic financial statements of Dayton View Academy 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 opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Dayton View Academy School, Montgomery County, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 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.

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.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor, CPA
Auditor of State

April 10, 2009

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Dayton View Academy School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

In total, net assets increased \$108,165, which represents a 24.2 percent increase from fiscal year 2007.

Total assets increased \$429,336, which represents a 24.2 percent increase from fiscal year 2007.

Liabilities increased \$321,171 which represents a 24.2 percent increase from fiscal year 2007.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the School's net assets for fiscal year 2008 and fiscal year 2007:

| (Table 1) | | | |
|---------------------|-------------|-------------|---------------|
| Net Assets | | | |
| | 2008 | 2007 | Change |
| Assets: | | | |
| Current Assets | \$2,204,735 | \$1,775,399 | \$429,336 |
| Liabilities: | | | |
| Current Liabilities | (1,649,154) | (1,327,983) | (321,171) |
| Net Assets: | | | |
| Unrestricted | \$ 555,581 | \$ 447,416 | \$108,165 |

Total assets increased \$429,336, mainly due to a increase in cash and cash equivalents, which was a result of a large increase in student foundation and poverty based assistance as well as federal and State grants. The School saw a large increase in enrollment in fiscal year 2008 which affected student foundation monies in fiscal year 2008. Liabilities increased by \$321,171 from fiscal year 2008, mainly due to the increase in Edison payable. Net Assets increased by \$108,165 largely due to large increase in cash and cash equivalents. The School has no capital assets.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

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

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007.

(Table 2)
Change in Net Assets

| | 2008 | 2007 | Change |
|--------------------------------|-------------------|------------------|--------------------|
| Operating Revenues: | | | |
| Sales | \$ 9,097 | \$ 6,044 | \$ 3,053 |
| State Foundation | 4,281,821 | 3,874,774 | 407,047 |
| Poverty Based Assistance | 677,594 | 522,403 | 155,191 |
| Miscellaneous | 50,042 | 33,943 | 16,099 |
| Total Operating Revenues | <u>5,018,554</u> | <u>4,437,164</u> | <u>581,390</u> |
| Non-Operating Revenues: | | | |
| Federal and State Grants | 1,606,980 | 1,029,885 | 577,095 |
| Gifts and Donations | | 73,351 | (73,351) |
| Interest | 29,335 | 39,681 | (10,346) |
| Total Non-Operating Revenues | <u>1,636,315</u> | <u>1,142,917</u> | <u>493,398</u> |
| Total Revenues | <u>6,654,869</u> | <u>5,580,081</u> | <u>1,074,788</u> |
| Operating Expenses: | | | |
| Purchased Services | 6,531,718 | 5,351,181 | 1,180,537 |
| Rent | 7,152 | 7,508 | (356) |
| Materials and Supplies | 5,450 | 89,480 | (84,030) |
| Other Expenses | 2,384 | 1,993 | 391 |
| Total Expenses | <u>6,546,704</u> | <u>5,450,162</u> | <u>\$1,096,542</u> |
| Change in Net Assets | 108,165 | 129,919 | |
| Net Assets Beginning of Year | 447,416 | 317,497 | |
| Net Assets End of Year | <u>\$ 555,581</u> | <u>\$447,416</u> | |

There was an increase in revenues of \$1,074,788 and an increase in expenses of \$1,096,542 from fiscal year 2007. Community schools receive no support from tax revenues. Revenues increased due to a increase in enrollment and a increase in grants. The increase in expenses was the result of an increase in enrollment as staff and programs were increased.

Salaries for the School are generated by a management company and such expenses are shown as purchased services. Purchased services increased by \$1,180,537. The increase in purchased services was the result of staff and program increases.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at Dayton View Academy School, 1416 West Riverview Avenue, Dayton, Ohio 45402, or e-mail at ww_treas@mdeca.org.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

Assets:

Current Assets:

| | |
|-------------------------------|------------------|
| Cash and Cash Equivalents | \$968,998 |
| Accounts Receivable | 41,582 |
| Intergovernmental Receivables | 1,193,965 |
| Accrued Interest Receivable | 190 |
| Total Assets | <u>2,204,735</u> |

Liabilities:

Current Liabilities:

| | |
|-------------------|------------------|
| Accounts Payable | 51,834 |
| Edison Payable | 1,597,320 |
| Total Liabilities | <u>1,649,154</u> |

Net Assets:

| | |
|------------------|-------------------------|
| Unrestricted | 555,581 |
| Total Net Assets | <u><u>\$555,581</u></u> |

See accompanying notes to the basic financial statements.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Operating Revenues:

| | |
|--------------------------|------------------|
| Sales | \$9,097 |
| State Foundation | 4,281,821 |
| Poverty Based Assistance | 677,594 |
| Miscellaneous | 50,042 |
| Total Operating Revenues | <u>5,018,554</u> |

Operating Expenses:

| | |
|--------------------------|------------------|
| Purchased Services | 6,531,718 |
| Rent | 7,152 |
| Materials and Supplies | 5,450 |
| Other Expenses | 2,384 |
| Total Operating Expenses | <u>6,546,704</u> |

| | |
|----------------|--------------------|
| Operating Loss | <u>(1,528,150)</u> |
|----------------|--------------------|

Non-Operating Revenues:

| | |
|------------------------------|------------------|
| Federal and State Grants | 1,606,980 |
| Interest | 29,335 |
| Total Non-Operating Revenues | <u>1,636,315</u> |

| | |
|----------------------|---------|
| Change in Net Assets | 108,165 |
|----------------------|---------|

| | |
|---------------------------------|----------------|
| Net Assets at Beginning of Year | <u>447,416</u> |
|---------------------------------|----------------|

| | |
|---------------------------|-------------------------|
| Net Assets at End of Year | <u><u>\$555,581</u></u> |
|---------------------------|-------------------------|

See accompanying notes to the basic financial statements.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

| | |
|---|-------------|
| Cash Received from Sales | \$9,097 |
| Cash Received from State of Ohio | 4,958,406 |
| Cash Received from Miscellaneous Sources | 8,460 |
| Cash Payments to Suppliers for Goods and Services | (6,223,149) |
| Cash Payments to Others | (2,384) |

Net Cash Used for Operating Activities (1,249,570)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received 1,341,773

Net Cash Provided by Noncapital Financing Activities 1,341,773

Cash Flows from Investing Activities:

Interest 37,814

Net Decrease in Cash and Cash Equivalents 130,017

Cash and Cash Equivalents at Beginning of Year 838,981

Cash and Cash Equivalents at End of Year \$968,998

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$1,528,150)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Changes in Assets and Liabilities:

| | |
|--|----------------|
| Increase in Account Receivable | (41,582) |
| Increase in Intergovernmental Receivable | (1,009) |
| Decrease in Accounts Payable | (33,371) |
| Increase in Edison Payable | 354,542 |
| Total Adjustments | <u>278,580</u> |

Net Cash Used for Operating Activities (\$1,249,570)

Non-cash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$1,192,956 at June 30, 2008.

See accompanying notes to the basic financial statements.

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**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community School, Inc. "doing business as" Dayton View Academy School (the "School") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational literary, scientific, and related teaching service. Specifically, the School's purpose is to be a charter school serving children from kindergarten through grade eight. The School, which is part of the state's education program, is to operate or arrange for the operation of schools in the Dayton, Ohio area. 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 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The creation of the School was initially proposed to the Ohio State Board of Education, the sponsor, by the Board of Trustees of Alliance Community Schools, Inc. (the "Board") on November 9, 1998. The Ohio State Board of Education approved the proposal and entered into a contract with the Board, which provided for the commencement of School operations beginning the fiscal year 2001 academic year and terminated upon conclusion of the fiscal year 2005.

The contract with the Ohio State Board of Education was not renewed and the School entered a sponsor contract with the Thomas B. Fordham Foundation for the period July 1, 2005 through June 30, 2010.

The School operates under a seven member Board of Trustees. This Board of Trustees exercises its authority by appointing a separate six member Board of Governance for the School. The Board of Trustees is responsible for carrying out the provisions of the sponsor contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 15)

Alliance Community Schools, Inc. has several divisions. These divisions operate under the names of Dayton Academy School, Dayton View Academy School, and Alliance Facilities Management. Alliance Community Schools Inc. has contracted with Edison Schools, Inc. to act as a management company for both of the schools. (See Note 13)

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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

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.

D. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

E. Expenses

Expenses are recognized at the time they are incurred.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Cash and Cash Equivalents

During fiscal year 2008, the School's investments were limited to non-negotiable certificates of deposit and repurchase agreements which are reported at cost.

Investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School did not have any restricted net assets as of June 30, 2008.

H. 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 payments from the State and sales for food services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. 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 remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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.

K. 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, 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.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS

Articles of Incorporation, Article VI, states that the assets of the School may be invested in obligations issued or guaranteed by the United States of America or any agency thereof, obligations of state governments and municipal corporations, real estate mortgage, savings deposits, corporate bonds, and notes and carefully selected preferred stocks.

A. Investments

As of June 30, 2008, the School had the following investments:

| | <u>Fair Value</u> | <u>Maturity</u> |
|-----------------------|-------------------|-------------------|
| Repurchase Agreements | <u>\$673,818</u> | Less than 30 days |

Interest Rate Risk

The School has no investment policy that addresses interest rate risk.

Credit Risk

The underlying investment in the repurchase agreement is a Federal National Mortgage Association Note which carries a rating of Aaa by Moody's. The School has no investment policy that addresses credit risk.

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental (State Foundation and Federal and State grants) and accrued interest receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

| | |
|------------------------------------|--------------------|
| Title I | \$574,589 |
| Improving Teacher Quality | 84,333 |
| Title II-D | 5,840 |
| Safe and Drug Free Schools | 3,865 |
| Title V | 1,709 |
| IDEA - B | 137,036 |
| Reading First | 326,837 |
| Foundation | 1,009 |
| Food Service | 7,052 |
| Title I - School Improvement | 50,000 |
| ECSE | 1,695 |
| Total Intergovernmental Receivable | <u>\$1,193,965</u> |

5. 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 the fiscal year ended June 30, 2008, the School's management company, Edison Schools, Inc., carried comprehensive insurance on all of the schools they manage. This policy cannot be broken out on a per school basis, and therefore is presented on a cumulative basis. Edison Schools, Inc. contracted with Willis of Tennessee, Inc. for employee dishonesty (crime and fiduciary) bonds, business personal property, general liability, and excess liability insurance.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. RISK MANAGEMENT (Continued)

Employee dishonesty crime coverage carries a \$75,000 deductible and has a \$5,000,000 limit. Employee dishonesty fiduciary liability also has a limit of \$1,000,000, with no deductible. Business personal property has a limit of \$1,000,000, with a \$25,000 deductible. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate. In addition, the general liability provides \$500,000 for fire damage for any one fire. There have been no significant reductions in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – Alliance Community Schools Inc, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Alliance Community Schools Inc's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$83,268, \$34,821, and \$46,009, respectively; 100 percent for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Alliance Community School's Inc, required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were, \$167,984, \$258,839 and \$342,431, respectively; 100 percent for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,028 made by the School and \$12,646 made by the plan members.

7. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – Alliance Community School's Inc, participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each 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.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. 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 School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$37,998, \$10,825, and \$14,873, respectively; 100 percent for fiscal years 2008, 2007 and 2006.

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 School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,000, \$2,368, and \$3,850 respectively; 100 percent for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System of Ohio

Plan Description – Alliance Community School's Inc, 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 one percent of covered payroll to the Health Care Stabilization Fund. Alliance Community School's Inc, contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,922, \$19,911, and \$26,341 respectively; 100 percent for fiscal years 2008, 2007, and 2006.

8. EMPLOYEE BENEFITS

As part of the management agreement with Edison Schools, Inc. (see Note 13), medical, dental, and vision insurance benefits for employees are paid by Edison Schools, Inc.

9. RELATED PARTY TRANSACTIONS

A. Alliance Edison LLC (AE)

The School leases its facilities and land from Alliance Edison LLC (AE). The lease expense for the year ended June 30, 2008 was \$7,152. AE's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 10)

B. Board of Governance

Although no transactions occurred between Dayton View Academy School and Dayton Academy School, both schools share the same Board of Governance.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. RELATED PARTY TRANSACTIONS (Continued)

C. Thomas B. Fordham Foundation (Sponsor)

The School contract requires one percent of all funds received from the State foundation to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total payments made during the period ended June 30, 2008 were \$44,776.

10. LEASES

The School subleases a building and 5.8494 acres through Alliance Edison LLC (AE). (See note 9A) AE leases the land from the Dayton Metropolitan Housing Authority (DMHA). The term of the lease commences on July 1, 2005 through June 30, 2009. The School has an option to renew the lease for six additional terms of five years. The School agreed to pay AFM, as rent for the land, an amount equal to the land lease owed to the DMHA; plus an amount equal to the debt service relating to any financing obtained; plus loan closing costs, ongoing loan administration costs associated with any financing secured by the premises, including but not limited to, costs associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AFM. Rent paid for the land and building for the fiscal year ended June 30, 2008 was \$7,152. The minimum lease payment for 2009 is \$7,367.

11. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to insure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an adjustment of \$1,009 to foundation revenue and the receivable in fiscal year 2008 financial statements.

12. PURCHASED SERVICES

For the fiscal year ended June 30 2008, purchased services expenses for services rendered by various vendors were as follows:

| | |
|----------------------------|--------------------|
| Management Company Fees | \$5,468,594 |
| Alliance Community Schools | 424,320 |
| Sponsorship Fees | 44,776 |
| UNICCO Contract | 594,028 |
| Total | <u>\$6,531,718</u> |

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. AGREEMENT WITH EDISON SCHOOLS, INC.

On June 20, 2000, the School contracted with Edison Schools, Inc. to provide educational programs that offer educational excellence and a laboratory for educational innovation based on Edison Schools, Inc.'s unique school design, comprehensive educational programs, and management principles. The term of the contract is July 1, 2004 through on June 30, 2009. The contract may be renewed for an additional five year term. Under the contract, Edison Schools, Inc. is responsible and accountable to Alliance Community Schools, Inc. Board of Trustees for the administration, operation, and performance of the School in accordance with the School's contract with the Thomas B. Fordham Foundation to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

Management Consulting and Operation Fee

The School is required to remit monthly to Edison Schools, Inc. all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources," except for \$91,700 and rent and common area rental. The following is a summary of current payment activity to Edison Schools, Inc.:

| | |
|-------------------------------------|---------------------------|
| Amount due current fiscal year | \$5,468,594 |
| Amount remitted current fiscal year | <u>3,871,274</u> |
| Edison Payable | <u><u>\$1,597,320</u></u> |

The School's Financial Responsibility

The School is responsible for initial start up costs and rent. The School is responsible to pay for fees for legal services not related to the operation of the School.

Edison Financial Responsibilities

Edison Schools, Inc. is responsible for costs associated with operating the School. Such costs shall include, but shall not be limited to, salaries and benefits, including payroll taxes; pension and retirement; the purchase of curriculum materials, textbooks, computers and other equipment, software, and supplies; insurance premiums, utilities, janitorial services, audit, legal and financial management services related to the operation of the School and repairs and maintenance of the School's facilities, except for capital repair. Edison Schools, Inc. shall equip the School's facilities with desks and other furniture and furnishings and these items are considered property of Edison Schools, Inc.

Edison Schools, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; Educator Liability coverage; Automobile Liability insurance, for personal injury and property damage; Property Insurance for facilities; and Workers Compensation insurance for employees.

Budget

Edison Schools, Inc. shall provide the School with an annual budget, in reasonable detail, by the 30th of June of each year.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. AGREEMENT WITH EDISON SCHOOLS, INC. (Continued)

B. Personnel

All personnel working at the School are employees of the Alliance Community Schools, Inc. except the business service manger, who is an employee of Edison Schools, Inc. Edison Schools, Inc. shall have the responsibility to select, assign, evaluate, and discharge School employees. Compensation will be set according to Edison Schools, Inc.'s compensation policies for teachers, principals, and non-instructional staff.

In addition, any accrued payroll, the related benefits, and pension obligation for the School's employees are included in the account Edison Payable, as these amounts are figured in the amount of revenues remitted to Edison Schools, Inc. throughout the school year.

C. Agreement Termination

Termination by the School

The School may terminate the Contract in the event Edison Schools, Inc. materially breaches the Contract and Edison Schools, Inc. fails to remedy such breach within 60 days of its receipt of written notice of such breach from the School.

Termination by Edison Schools, Inc.

Edison Schools, Inc. may terminate the Contract in the event the School materially breaches the Contract and the School fails to remedy such breach within 60 days of its receipt of written notice of such breach from Edison Schools, Inc.

14. EDISON SCHOOLS, INC. EXPENSES

For the fiscal year ended June 30, 2008, Edison Schools, Inc. incurred the following expenses on behalf of the School.

| | 2008 |
|--|--------------------|
| Expenses: | |
| Direct Expenses: | |
| Salaries and Wages and Benefits | \$3,142,423 |
| Professional and Technical Services | 172,172 |
| Property Services | 53,033 |
| Travel | 13,259 |
| Professional Development and Recruitment | 128,550 |
| Communications | 12,401 |
| Utilities | 125,169 |
| Contracted Craft or Trade Services | 460,028 |
| Transportation | 64,301 |
| Other Purchased Services | 15,225 |
| Books, Periodicals and Films | 29,162 |
| Other Supplies | 18,223 |
| Other Direct Costs | 14,310 |
| Total Expenses | \$4,248,256 |

Edison Schools, Inc accounting system assigns indirect costs to the school; therefore the expenses above include indirect costs the management company may have incurred on behalf of the Academy.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$4,080 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

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**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|--|------------------------------------|--------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | \$108,058 | \$87,334 |
| National School Lunch Program | 10.555 | 270,878 | 218,926 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | <u>378,936</u> | <u>306,260</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 294,720 | 325,479 |
| Special Education_Grants to States | 84.027 | 235,642 | 168,664 |
| Safe and Drug-Free Schools and Communities_State Grants | 84.186 | 8,650 | 2,858 |
| State Grants for Innovative Programs | 84.298 | 1,442 | 1,121 |
| Education Technology State Grants | 84.318 | 2,688 | 4,433 |
| Reading First State Grants | 84.357 | 313,921 | 293,592 |
| Improving Teacher Quality State Grants | 84.367 | 86,643 | 84,060 |
| Total U.S. Department of Education | | <u>943,706</u> | <u>880,207</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed Through Montgomery County Educational Service Center:</i> | | | |
| Medical Assistance Program | 93.778 | 1,246 | |
| Total U.S. Department of Health and Human Services | | <u>1,246</u> | |
| Total Federal Assistance | | <u>\$1,323,888</u> | <u>\$1,186,467</u> |

The accompanying notes are an integral part of this schedule.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - COMMUNITY ALTERNATIVE FUNDING SYSTEM

As of July 1, 2005, the Community Alternative Funding System (CAFS) program (CFDA #93.778) no longer exists as a funding stream. Settlement payments for services rendered prior to June 30, 2005 are reported as receipts only on the Schedule.



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*

Dayton View Academy School
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Governing Board:

We have audited the basic financial statements of Dayton View Academy 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 10, 2009. 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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.

Internal Control Over Financial Reporting (Continued)

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. Of the significant deficiencies described above, we believe finding numbers 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated April 10, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated April 10, 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 the management, Governing Board, the Community School's Sponsor, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor, CPA
Auditor of State

April 10, 2009



Mary Taylor, CPA

Auditor of State

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

Dayton View Academy School
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Governing Board:

Compliance

We have audited the compliance of Dayton View Academy School, Montgomery County, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Dayton View Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-003.

In a separate letter to the Academy's management dated April 10, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-003 to be significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider the deficiency described in the accompanying schedule of findings as finding 2008-003 to be a material weakness.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated April 10, 2009.

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

We intend this report solely for the information and use of the management, Governing Body, the Community School Sponsor, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor, CPA
Auditor of State

April 10, 2009

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster: School Breakfast Program (SBP) CFDA #10.553; National School Lunch Program (NSLP) CFDA # 10.555 Title I Grants to Local Educational Agencies CFDA # 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2008-001

Material Weakness

Unrecorded Intergovernmental Receivable and Edison Payable

The Academy applied for and received grants from the Ohio Department of Education (ODE) through the Comprehensive Continuous Improvement Plan (CCIP). At year end the Academy records the remaining allocation as an intergovernmental receivable for financial statement presentation. The Academy failed to properly report \$260,231 of intergovernmental receivable and federal and state grant revenue, for various CCIP grants at fiscal year end, which represented 13.7% of assets and 4.1% of revenues. Additionally the Academy did not post the corresponding liability, due to Edison Schools, Inc (Management Company), which received all revenues from the Academy and the corresponding purchased service expenditure, which represented 18.7% of liabilities and 4.1% of expenditures.

The Academy should implement procedures to report all grant revenues not received at year end as an intergovernmental receivable in accordance with GASB Statement 33 and to record the liability to remit those receivables to the management company. This adjustment has been reflected in the accompanying financial statements.

Official's Response: See page 32.

FINDING NUMBER 2008-002

Material Weakness

Program Income Collection

The Academy provided reduced and full priced meals (breakfast and lunch) to its students based on the income and household size qualifications as outlined by the United States Department of Agriculture (USDA). The following rates were established by the Academy for each individual meal served.

| | Breakfast | Lunch |
|------------|------------------|--------------|
| Reduced | \$0.30 | \$0.40 |
| Full Price | \$1.20 | \$2.10 |

During the 2007 – 2008 school year, the Academy served 2,423 reduced and 1,267 full price breakfast meals, as recorded on PCS system reports. At the established rates, the Academy should have collected a total of \$2,247 in breakfast receipts. During the same period the Academy served 4,429 reduced and 3350 full price lunch meals, as recorded on PCS system reports. At the established rates the Academy should have collected \$8,807 in lunch receipts.

Accordingly, the total lunch and breakfast collections for fiscal year 2008 for the Academy should have been \$11,054. Actual lunch and breakfast collections for the Academy amounted to \$7,540. The Academy collected \$3,514 less than it should have based on the number of reduced and full priced breakfasts and lunches served for fiscal year 2008. Management attributed the variance to the Academy serving meals to full price and reduced price students who did not have money to pay for the meals. These students were reported as paid reduced or full priced meals, but no money was collected. The lack of proper accountability for these meals did not provide an accurate record of activity and could allow undetected fraud to occur as a result of unknown collections.

**FINDING NUMBER 2008-002
 (Continued)**

The Board should establish formal procedures on serving meals to full price and reduced students who are unable to pay for their meals. The policy should outline the Board's view about serving these students and procedures to subsequently collect money from the appropriate individuals. If the student's family is in financial distress, a re-evaluation of the status of the student might be conducted to determine if the student qualifies for free meals. A count of such students should be maintained separately from students who have paid for their meals. Additionally, the Academy should institute procedures to ensure that all breakfast and lunch collections are properly collected and deposited in the Academy's bank account. Cash receipts for food service should be periodically reviewed by an individual independent from the collection process.

Official's Response: See page 32.

3. FINDINGS FOR FEDERAL AWARDS

| | |
|------------------------------------|--|
| Finding Number | 2008-003 |
| CFDA Title and Number | All CFDA Titles and Numbers |
| Federal Award Number / Year | 2008 |
| Federal Agency | United States Department of Education United States Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

Non-Compliance and Material Weakness

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__310(b)(3) Schedule of Expenditures of Federal Awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the Schedule shall:

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

**FINDING NUMBER 2008-003
(Continued)**

The Academy received federal funds from the Ohio Department of Education and remitted those funds to the Management Company (Edison Schools) for expenditure. Although the federal dollars were remitted to the management company, the federal dollars were in the name of the Academy, and the Academy had the ultimate responsibility for ensuring proper posting and expenditure of all federal dollars. The Academy recorded expenditures on its Schedule of Federal Awards Receipts and Expenditures based on the remittances to the Management Company which did not coincide with the timing of the actual expenditures by the Management Company.

The Academy's 2008 Schedule of Federal Awards Receipts and Expenditures, which was presented on the cash basis of accounting, had the following errors:

- Federal Expenditures for the Title I grant were understated by \$30,759, the Special Education Grants were overstated by \$66,978 and Nutrition Cluster Program expenditures were overstated by \$91,776. In addition, several other Comprehensive Continuous Improvement Plan (CCIP) grants (i.e Safe and Drug Free Schools and Improving Teacher Quality) had insignificant variances between reported federal expenditures and actual federal expenditures.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §__310(b)(3), due care should be taken in the preparation of the Schedule of Federal Awards Receipts and Expenditures. The Schedule should be reviewed after preparation and tied to the underlying cash reports of the Academy for accuracy.

Official's Response: See page 32.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | Sequential Memo Transactions numbers | No | Moved to Management Letter |
| 2007-002 | Collection of Food Service Program Income | No | Repeated as Finding Number 2008-002 |
| 2007-003 | Office of Management and Budget Circular A-133 Schedule of Federal Awards | No | Repeated as Finding Number 2008-003 |
| 2007-004 | Reporting of Food Service Expenditures to the Ohio Department of Education | Yes | |

**DAYTON VIEW ACADEMY
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2008**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|---|
| 2008-001 | The Academy will implement a procedure to ensure all grant revenue not received at year end will be booked as an intergovernmental receivable in accordance with GASB Statement #33 and to record the liability to remit those receivable to the management company | 6/30/09 | Phyllis Bixler, Treasurer |
| 2008-002 | Effective with Fiscal Year 2009, Dayton View Academy became a provision II school. This plan will allow for all students to receive a lunch free of charge. Subsidies will be received for those students eligible for free and reduced cost lunches. With the Provision II program, there is no need for a policy for student paid lunches | 6/30/09 | Renee Hargrove, Edison Schools, Inc |
| 2008-003 | At the close of the fiscal year, the Treasurer shall submit to Edison a copy of the Federal Awards Expenditure worksheet. The Management Company will supply a list of each federal program, CFDA number, pass through entity and identifying number, and expenditures. | 6/30/09 | Phyllis Bixler, Treasurer Theresa Cathy- Giles, Edison Schools, Inc |