DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of Dayton Early College Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2009, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Dayton Early College Academy, Montgomery County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010, 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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 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

Mary Taylor, CPA
Auditor of State

March 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

The management's discussion and analysis of the Dayton Early College Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2009 are as follows:

- In total, net assets were $1,050,201 at June 30, 2009.

- The Academy had operating revenues of $1,974,956, operating expenses of $3,663,075, non-operating revenues of $1,996,983, and non-operating expenses of $33,422 for the fiscal year ended June 30, 2009. Total change in net assets for the year ended June 30, 2009 was an increase of $275,442.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" The statement of net assets and statement of revenues, expenses and change in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-22 of this report.

The table below provides a summary of the Academy's net assets at June 30, 2009 and June 30, 2008.

	2009	2008
Assets:		
Current assets	$1,280,090	$956,661
Capital assets, net	39,126	68,473
Total assets	1,319,216	1,025,134
Liabilities:		
Current liabilities	251,341	226,560
Non-current liabilities	17,674	23,815
Total liabilities	269,015	250,375
Net Assets:		
Invested in capital assets, net of related debt	15,311	38,988
Restricted	38,214	59,745
Unrestricted	996,676	676,026
Total net assets	$1,050,201	$774,759

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Academy's net assets totaled $1,050,201.

At year-end, capital assets represented 2.97% of total assets. Capital assets consisted of equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, were $15,311. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The table below shows the changes in net assets for the fiscal year ended June 30, 2009 and the period ended June 30, 2008.

Change in Net Assets

	2009	2008
Operating Revenues:		
State foundation	$1,969,790	$1,438,727
Classroom materials and fees	1,019	
Charges for services	4,147	23,799
Total operating revenues	1,974,956	1,462,526
Operating Expenses:		
Personnel services	1,979,975	1,455,649
Purchased services	1,109,544	914,510
Materials and supplies	527,925	136,339
Other	38,117	18,175
Depreciation	7,514	4,050
Total operating expenses	3,663,075	2,528,723

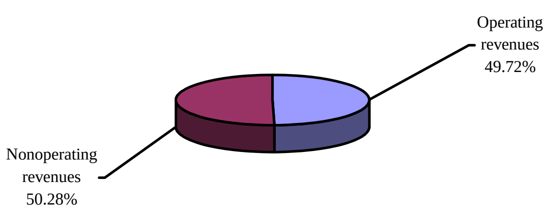
(Continued)

Change in Net Assets
(Continued)

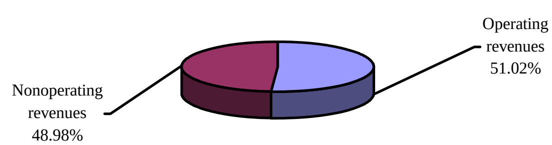
	2009	2008
Non-operating Revenues/(Expenses):		
Intermediate, State and Federal grants	1,671,298	1,011,074
Earnings on investments	5,605	9,432
Miscellaneous		375
Loss on disposal of capital assets	(31,268)	
Donations and contributions	320,080	383,399
Interest expense	(2,154)	(1,242)
Total non-operating revenues/(expenses)	1,963,561	1,403,038
Change in net assets	275,442	336,841
Net assets at beginning of year	774,759	437,918
Net assets at end of year	$1,050,201	$ 774,759

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2009 and the period ended June 30, 2008.

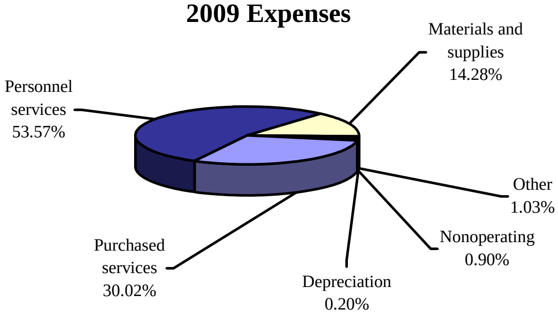
2009 Revenues



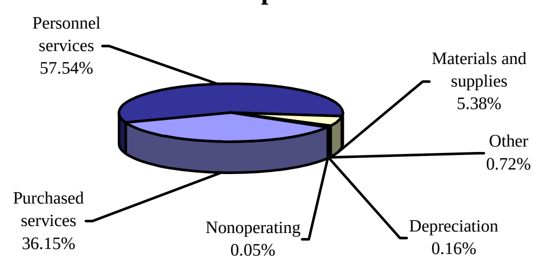
2008 Revenues



2009 Expenses



2008 Expenses



Capital Assets

At June 30, 2009, the Academy had $39,126 invested in equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2009, the Academy had $23,815 in capital leases outstanding. Of this total, $6,141 is due in one year and $17,674 is due in more than one year

Current Financial Related Activities

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

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

Contacting the Academy's Financial Management

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

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current Assets:	
Cash and cash equivalents	$1,160,558
Cash with fiscal agent	92,550
Receivables:	
Accounts	75
Intergovernmental	21,440
Prepayments	5,467
Total current assets	1,280,090
Non-Current Assets:	
Capital assets, net	39,126
Total assets	1,319,216
Liabilities:	
Current liabilities:	
Accounts payable	21,165
Accrued wages and benefits	109,642
Pension obligation payable	16,595
Intergovernmental payable	69,447
Compensated absences payable	28,351
Capital lease obligation	6,141
Total current liabilities	251,341
Non-current liabilities:	
Capital lease obligation	17,674
Total liabilities	269,015
Net Assets:	
Invested in capital assets, net of related debt	15,311
Restricted for:	
State funded programs	1,473
Federally funded programs	21,151
Other grant programs	7,334
Other purposes	8,256
Unrestricted	996,676
Total net assets	$1,050,201

See accompanying notes to the basic financial statements.

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating revenues:	
State foundation	$1,969,790
Classroom Materials and Fees	1,019
Charges for services	4,147
Total revenues	1,974,956
Operating expenses:	
Personnel services	1,979,975
Purchased services	1,109,544
Materials and supplies	527,925
Other operating expenses	38,117
Depreciation	7,514
Total expenses	3,663,075
Operating loss	(1,688,119)
Non-operating revenues/(expenses):	
Intermediate, State and federal grants	1,671,298
Earnings on investments	5,605
Loss on disposal of capital assets	(31,268)
Donations and Contributions	320,080
Interest Expense	(2,154)
Total other non-operating revenues/(expenses)	1,963,561
Change in net assets	275,442
Net assets at beginning of year	774,759
Net assets at end of year	$1,050,201

See accompanying notes to the basic financial statements.

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Cash received from foundation	$1,969,581
Cash received from classroom materials and fees	1,019
Cash received from charges for services	7,183
Cash payments for personnel services	(1,929,424)
Cash payments for purchased services	(1,154,222)
Cash payments to suppliers for goods and supplies	(513,439)
Cash payments for other expenses	(39,013)
Net cash used in operating activities	(1,658,315)
Cash flows from noncapital financing activities:	
State and federal grants	1,653,649
Donations and contributions	320,080
Net cash provided by non-capital financing activities	1,973,729
Cash flows from capital and related financing activities:	
Principal paid on capital lease	(5,670)
Interest paid on capital lease	(2,154)
Acquisition of capital assets	(9,435)
Net cash used in capital and related financing activities	(17,259)
Cash flows from investing activities:	
Interest received	5,605
Net cash provided by investing activities	5,605
Net increase in cash and cash equivalents	303,760
Cash and cash equivalents at beginning of year	949,348
Cash and cash equivalents at end of year	1,253,108
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(1,688,119)
Adjustments:	
Depreciation	7,514
Changes in assets and liabilities:	
Decrease in accounts receivable	2,961
Increase in prepayments	(4,981)
Decrease in accounts payable	(60,708)
Increase in accrued wages and benefits	19,743
Increase in intergovernmental payable	35,785
Increase in compensated absences payable	22,732
Increase in pension obligation payable	6,758
Net cash used in operating activities	($1,658,315)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY

Dayton Early College Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy, one of the first institutions of its kind in the United States and the first early college high school in Ohio, is to maximize each student's unique potential through a personalized, accelerated academic program. The Academy addresses a critical need in urban public schools to help students, particularly those underrepresented in higher education, to explore their personal and intellectual potential, achieve academic success, and make a seamless transition from high school to college. The Academy was developed out of a partnership between the University of Dayton and the Dayton City School District. Fiscal year 2008 represented the first year of operation of the Academy as an independent charter school. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Dayton City School District (the "Sponsor") for a period of five years commencing July 1, 2007 and ending June 30, 2012. 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 a self-appointing eight member Governing Board (the "Board"). The Board is composed of a Chairman, Parent Representative, five Board members and the Academy's Treasurer. The Academy's Treasurer is a non-voting member of the Board. The Academy's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 25 certified full-time teaching personnel and three non-certified employees who provide services to 293 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike other public Schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor, except, Ohio Revised Code Section 5705.391 requires a 5 year projection of revenues and expenditures. The contract between the Academy and its Sponsor requires a detailed Academy budget for each year of the contract, however the budget does not have to follow Ohio Revised Code Section 5705.

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

D. Cash and Investments

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

During fiscal year 2009, investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Nonparticipating investments contracts, such as repurchase agreements, are reported at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

During fiscal year 2009, cash received by the Academy was maintained in demand deposit accounts.

E. Capital Assets and Depreciation

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

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

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

F. Operating Revenues and Expenses

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

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title II-A grant, the Federal Title IV grant, the Federal Title II-D grant, the EMIS grant, the Early College Academy Grant, Federal School Lunch Program, the School Net Professional Development grant and the Charter School Start-up grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Intermediate, State and Federal grant revenue for the fiscal year 2009 was $1,671,298.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepayments

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

I. Compensated Absences

The Academy accrues a liability for unused vacation leave and for employees that were approved by the Board to receive severance.

J. Estimates

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

K. Net Assets

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

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

3. DEPOSITS AND INVESTMENTS

A. Cash with Fiscal Agent

The Academy had $92,550 in cash held by the University of Dayton at June 30, 2009. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. This amount is not included in the "deposits" reported below.

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all Academy deposits was ($85,019), exclusive of the $244,288 repurchase agreement included in investments below. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the Academy's entire bank balance of $40,586 was covered by Federal Deposit Insurance Corporation (FDIC).

3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no policy dealing with depository custodial credit risk beyond the requirement in State statute.

C. Investments

As of June 30, 2009, the Academy had the following investments and maturities:

Investment type	Fair Value	Investment Maturities 3 months or less
Repurchase agreement	$ 244,288	$ 244,288
STAR Ohio	1,001,289	1,001,289
Total investments	$1,245,577	$1,245,577

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAm by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy's $244,288 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2009:

Investment type	Fair Value	% of Total
Repurchase agreements	$ 244,288	19.61
STAR Ohio	1,001,289	80.39
Total investments	$1,245,577	100.00

3. DEPOSITS AND INVESTMENTS (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

Cash and investments per note	
Carrying amount of deposits	($ 85,019)
Investments	1,245,577
Cash with fiscal agent	92,550
Total	$1,253,108

Cash and investments per statement of net assets	
Carrying amount of deposits	($85,019)

4. RECEIVABLES

Receivables at June 30, 2009 consisted of accounts (billings for user charged services) and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net assets follows:

Accounts	$ 75
Intergovernmental	21,440
Total	$ 21,515

5. LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2009 were as follows:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09	Due Within One Year
Capital lease obligation payable	$29,485		($ 5,670)	$23,815	$ 6,141
Compensated absences	5,619	$28,351	(5,619)	28,351	28,351
Total governmental activities long-term liabilities	$35,104	$28,351	($11,289)	$52,166	$34,492

Capital Lease Obligation: See Note 8 for details.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which primarily consist of the general fund.

6. CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2009, follows:

	Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009
Capital assets, being depreciated:				
Equipment	$72,523	$9,435	($31,268)	$50,690
Total capital assets, being depreciated	72,523	9,435	(31,268)	50,690
Less: Accumulated Depreciation				
Equipment	(4,050)	(7,514)		(11,564)
Total accumulated depreciation	(4,050)	(7,514)		(11,564)
Net Capital Assets	$68,473	$1,921	($31,268)	$39,126

7. PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	$ 367,263
Property services	485,991
Travel mileage/meeting expense	27,112
Communications	42,789
Contracted craft or trade	97,649
Tuition and other similar payments	279
Pupil transportation	88,461
Total purchased services	$1,109,544

8. CAPITAL LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of $32,155, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was $9,646, leaving a current book value of $22,509. Principal and interest payments in the 2009 fiscal year totaled $5,670 and $2,154, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

Fiscal Year Ending June 30,	Amount
2010	$ 7,824
2011	7,824
2012	7,824
2013	3,912
Total future minimum lease payments	27,384
Less: amount representing interest	(3,569)
Present value of future minimum lease payments	$23,815

9. OPERATING LEASES

The Academy entered into a lease for fiscal year 2009 with the University of Dayton to lease the third floor of the building located at 1529 Brown Street to house the Academy. The cost of the lease for fiscal year 2009 was $276,000 payable in 4 quarterly payments.

10. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Academy contracted with Ohio Casualty for general, automobile and excess/umbrella liability insurance. General liability carries a limit of $1,000,000 for each occurrence and $2,000,000 aggregate. Automobile carries a $1,000,000 combined single limit and excess/umbrella liability carries a limit of $3,000,000 for each occurrence.

There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past two years.

B. Workers' Compensation

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

11. OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

The Academy has contracted with United Healthcare Insurance Company to provided medical, dental, life and vision benefits to its employees.

12. PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employees/Audit Resources*.

12. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2009 was $11,536. 100 percent has been contributed for fiscal year 2009.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

12. PENSION PLANS (Continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009 and the period ended June 30, 2008 were $176,191 and $126,966; 100 percent has been contributed for fiscal year 2009 and the period ended June 30, 2008. Contributions to the DC and Combined Plans for fiscal year 2009 were $17,236 made by the Academy and $26,621 made by the plan members.

13. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 2009, 4.16 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 2009, the actuarially determined amount was $35,800.

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 (including surcharge) for the fiscal year ended June 30, 2009 was $5,279; 100 percent has been contributed for fiscal year 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contribution for Medicare Part B for the fiscal year ended June 30, 2009 was $952; 100 percent has been contributed for fiscal year 2009.

13. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2009, 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, 2009 and the period ended June 30, 2008 was $13,553 and $9,767; 100 percent has been contributed for fiscal year 2009 and the period ended June 30, 2008.

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

B. Litigation

The Academy is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of 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 conclusion of this review revealed an underpayment of state funding to the Academy by $8,405. This amount has not been included in the accompanying financial statements.

15. SERVICE AGREEMENTS

Dayton City School District

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

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

The Academy paid the Sponsor a 1.75% sponsorship fee, based on State foundation revenue. An intergovernmental payable in the amount of $59,479 has been recorded in the basic financial statements to account for unpaid sponsorship fees at June 30, 2009.

16. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the Academy has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Academy.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Academy.

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR / *Pass Through Grantor* / Program Title	**Federal CFDA Number**	**Receipts**	**Disbursements**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Cash Assistance			
School Breakfast Program	10.553	$20,791	$20,791
Cash Assistance			
National School Lunch Program	10.555	40,710	40,710
Total Child Nutrition Cluster		61,501	61,501
Total U.S. Department of Agriculture		61,501	61,501
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	284,983	265,757
Special Education Grants to States	84.027	15,263	20,772
Safe and Drug-Free Schools and Communities State Grants	84.186	1,512	1,512
Charter Schools	84.282	600,000	564,129
Education Technology State Grants	84.318	588	1,311
Improving Teacher Quality State Grants	84.367	11,132	11,953
Total U.S. Department of Education		913,478	865,434
Total Federal Assistance		$974,979	$926,935

The accompanying notes are an integral part of this schedule.

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

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

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

To the Governing Board:

We have audited the financial statements of the business-type activities, of Dayton Early College Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 15, 2010.

The Academy's response to the finding identified in our audit 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 audit committee, 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

Mary Taylor, CPA
Auditor of State

March 15, 2010

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

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

To the Governing Board:

Compliance

We have audited the compliance of Dayton Early College Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. 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 Early College Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

In a separate letter to the Academy's management dated March 15, 2010, we reported another matter 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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Internal Control Over Compliance
(Continued)

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 15, 2010

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any 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?**	No
(d)(1)(vii)	**Major Programs (list):**	Charter Schools (CFDA #84.282)
(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 2009-001

Significant Deficiency

Donations Handled by the University of Dayton

The Academy had an agreement with the University of Dayton (UD) to serve as the "Operator" of the School. As part of the relationship, UD had three separate accounts/funds on their books dedicated to receiving and/or expending funds on behalf of the Academy or the Academy's students. Two such accounts/funds contained activity involving very large private donations, and the expenditure of those funds. After viewing copies of these donation checks, it was discovered that 11 checks in the total amount of $52,200 were actually issued in the name of the Academy. Despite being in the name of the Academy, the checks were processed, deposited, and expended by UD for the benefit of the Academy or its students. Such donations were not noted in the minutes as approved by the Board.

FINDING NUMBER 2009-001
(Continued)

Depositing donation checks issued to the Academy into UD's bank account could result in the funds being spent in a way that is not in agreement with the donor or the Academy's wishes.

Checks issued in the Academy's name should be deposited to the Academy's bank account. No other entity, including UD, should deposit checks into its bank account that are issued in the name of the Academy. The Academy should develop a policy and implement procedures to require that such donated funds are approved by the Board, documented in the minutes, and spent in accordance with the stipulations as described by the donor. Duplicate receipts should also be issued for all donations received to provide for completeness over such revenue. Finally, the Academy should implement a system of controls over funds accounted for on UD's books.

Officials' Response:

The Academy has taken corrective measures concerning this comment as of the completion of the FY08 audit. Because of timing the recommended corrective action was implemented at the end of FY09.

3. FINDINGS FOR FEDERAL AWARDS

None.

DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Lack of formal guidance in "Operators Agreement" for the University of Dayton's processing and handling of the Academy's money and posting to the financial statements.	Yes	
2008-002	Donations to the Academy were accounted for by the University of Dayton.	No	Repeated as Finding 2009-001

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Mary Taylor, CPA
Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Governing Board:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on April 9, 2008.

2. We read the policy to determine it included the following requirements from Ohio Rev. Code Section 3313.666(B):

    1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

    2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

    3) A procedure for reporting prohibited incidents;

    4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

    5) A procedure for documenting any prohibited incident that is reported;

    6) A procedure for responding to and investigating any reported incident;

    7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

   1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

   2) A requirement that the school administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the management, Governing Board, and the Academy's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 15, 2010

Mary Taylor, CPA
Auditor of State

DAYTON EARLY COLLEGE ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 13, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us