



Dave Yost • Auditor of State

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Academy of Dayton Community School
Montgomery County
Charter School Administration Services, Inc.
20820 Greenfield Road
Oak Park, MI 48237

To the Governing Board:

We have audited the accompanying basic financial statements of the Academy of Dayton Community School, Montgomery County (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy of Dayton Community School, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the Academy ceased operations as of June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

March 18, 2011

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

This section of the Academy of Dayton's (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2010. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy of Dayton financially as a whole.

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

Basic Financial Statements

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

Notes to the Basic Financial Statements

Reporting the Academy as a Whole

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

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

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Table 1 provides a summary of The Academy's net assets as of June 30, 2010

Table 1		
Net Assets		
	2010	2009
	(in thousands)	(in thousands)
Assets:		
Current and other assets	\$ 297.2	\$ 283.4
Capital assets, net of accumulated depreciation	13.5	299.3
Total assets	310.7	582.7
Liabilities:		
Current liabilities	1,721.1	1,513.9
Net Assets:		
Invested in Capital Assets – Net of related debt	13.4	299.3
Unrestricted	(1,423.8)	(1,230.5)
Total Net Assets (Deficit)	(\$1,410.4)	(\$ 931.2)

The Academy's net assets decreased from the prior year by \$479,193 resulting in a net asset deficit of \$1,410,391. The Academy's deficit financial position is primarily a result of low student enrollment.

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's activities is discussed below. The Academy's net deficit, as of June 30, 2010, was \$1,410,391. Capital assets recorded at historical cost, net of depreciation, totaled \$13,458. No long-term debt was used to finance the acquisition of those assets. The Academy does not have any restricted net assets. The remaining amount of net deficit of \$1,423,849 was unrestricted.

The \$1,423,849 in unrestricted net deficit represents the accumulated results of the past years' operations. Since the unrestricted net assets balance is in a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenues, expenses and change in accumulated deficit summarized in (Table 2), which shows the changes in net assets (accumulated deficit) for fiscal year 2010.

Table 2		
Change In Net Assets		
	2010	2009
	(in thousands)	(in thousands)
Revenues:		
Operating Revenues:		
Foundation	\$900.7	\$931.8
Other	.4	42.5
Non-Operating Revenues		
Grants-State	7.1	6.8
Grants-Federal	210.0	212.0
Total Revenues	1,118.2	1,193.1

(Continued)

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	2010	2009
	(in thousands)	(in thousands)
Expenses:		
Operating Expenses:		
Salaries	474.8	458.5
Fringe Benefits	126.7	108.1
Payroll Taxes	20.6	22.7
Rent	135.4	67.6
Purchased Services	531.8	478.7
Materials and Supplies	20.0	40.0
Depreciation	16.3	12.6
Non-operating Expenses:		
Loss on Disposal	271.8	0.0
Total Expenses	1,597.4	1,188.2
Increase (Decrease) in Net Assets	(479.2)	4.9
Net Assets(Deficit), beginning of year	(931.2)	(936.1)
Net Assets(Deficit), end of year	(\$1,410.4)	(\$ 931.2)

As reported in table 2, the cost of all of our activities this year was \$1,597,446. Certain activities were partially funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefits" portion of our activities with \$900,724 in state foundation allowance.

The Academy experienced a decrease in net assets of \$479,193 this school year. The decrease in net assets for the current is attributable to low student enrollment.

Budgetary Highlights

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

Capital Assets and Debt Administration

As of June 30, 2010, the Academy had \$13,458 invested in capital assets for furniture and equipment. This amount represents a net decrease, including additions and disposals, of \$285,876.

Capital Assets	2010	2009
	(in thousands)	(in thousands)
Leasehold improvements		\$339.9
Furniture and equipment	\$136.9	134.6
Sub-Total	136.9	474.5
Less: Accumulated Depreciation	(123.4)	(175.2)
Capital Assets, net	\$ 13.5	\$299.3

This year's addition of \$2,320 to furniture and equipment consisted of Computers, monitors and other technology related purchases. No debt was issued for these additions.

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Debt

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

Other obligations include accrued salaries and benefits.

Economic Factors and Next Year's Budgets and Rates

The Academy's charter agreement terminated as of 6/30/2010. Accordingly, the Academy did not prepare a 2011 fiscal year budget.

Contacting the Academy's Financial Management

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

Andrew Burks, Fiscal Officer
Academy of Dayton Community School
c/o Charter School Administration Services, Inc.
20820 Greenfield Rd
Oak Park, MI 48237

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Current Assets:

Cash	\$214,190
Intergovernmental Receivable	70,387
Prepaid Expenses	12,659
Total Current Assets	<u>297,236</u>

Noncurrent Assets:

Capital Assets (Net of Accumulated Depreciation)	13,458
Total Assets	<u>310,694</u>

Liabilities:

Current Liabilities:

Accounts Payable	1,704,807
Intergovernmental Payable	3,050
Accrued Wages and Benefits	13,228
Total Liabilities	<u>1,721,085</u>

Net Assets:

Invested in Capital Assets	13,458
Unrestricted (Deficit)	<u>(1,423,849)</u>
Total Net Assets/(Accumulated Deficit)	<u><u>(\$1,410,391)</u></u>

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
ACCUMULATED DEFICIT
FOR THE YEAR ENDED JUNE 30, 2010**

Operating Revenues	
Foundation Payments	\$900,724
Other	405
Total Operating Revenue	<u>901,129</u>
 Operating Expenses:	
Salaries	474,761
Fringe Benefits	126,713
Payroll Taxes	20,611
Facility Rent	135,360
Purchased Services	531,827
Materials and Supplies	19,978
Depreciation	16,327
Total Operating Expenses	<u>1,325,577</u>
 Operating Loss	 <u>(424,448)</u>
 Non-Operating Revenues:	
Grants - State	7,131
Grants - Federal	209,993
Total Non-Operating Revenues	<u>217,124</u>
 Non-Operating Expenses:	
Loss on Disposal	<u>271,869</u>
 Non-Operating Loss	 <u>(54,745)</u>
 Change in Net Assets/(Accumulated Deficit)	 (479,193)
 Accumulated Deficit, Beginning of Year	 <u>(931,198)</u>
 Accumulated Deficit, End of Year	 <u><u>(\$1,410,391)</u></u>

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

Cash Flow from Operating Activities:

Cash Received from State Foundation	\$867,093
Cash Received from Other	405
Cash Payments to Suppliers for Goods and Services	(342,208)
Cash Payments to Employees for Services	(507,486)
Cash Payments for Employees Benefits	(164,300)
Net Cash Used for Operating Activities	<u>(146,496)</u>

Cash Flows from Non-capital Financing Activities:

Grants Received - State	7,228
Grants Received - Federal	<u>267,282</u>
Net Cash Provided for Noncapital Financing Activities	<u>274,510</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(2,320)</u>
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Net Increase in Cash	125,694
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Cash, Beginning of Year	<u>88,496</u>
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Cash, End of Year	<u><u>214,190</u></u>
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Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:	
Operating Loss	(424,448)

Adjustments to Reconcile Operating Loss to Net Cash

Used for Operating Activities:	
Depreciation	16,327

Changes in Assets and Liabilities:

Decrease in Accounts Receivable	54,331
Increase in Accounts Payable	289,759
Decrease in Intergovernmental Payable	(33,630)
Decrease in Prepaid Expense	1,594
Decrease in Accrued Wages and Benefits	(50,429)
Total Adjustments	<u>277,952</u>

Net Cash Used for Operating Activities	<u><u>(\$146,496)</u></u>
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The notes to the financial statements are an integral part of this statement.

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**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Academy of Dayton (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy's objective is to prepare all students to be successful citizens, cooperative workers and profitable entrepreneurs by developing their unique potential. The program is offered for students in kindergarten through eighth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed, and contract for any services necessary for the operation of the school.

The Academy was approved for operation under contract with the Ashe Cultural Center, Inc. (Sponsor) for a three year period commencing on June 30, 2006 through April 14, 2009. That agreement was recently amended to extend the term of the sponsorship agreement through June 30, 2010. The Academy became operational during July of 2000. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy's contract was not renewed and terminated effective June 30, 2010.

The Academy operates under the direction of a self-appointing five-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility staffed by a principal, 12 full-time certified teaching personnel and 5 non-certified support personnel who provide services to an enrollment of approximately 120 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash

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

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

F. Intergovernmental Revenues

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

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2010, including:

Accrued Wages and Benefits Payable - salary payments made after year-end that were for services rendered in fiscal year 2010. Personnel are paid year round; however, payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2010 for all salary payments made to personnel after the close of the fiscal year.

Accrued Intergovernmental Liability – The Academy received federal grant funds which it did not earn and is required to repay those payments. Accordingly, the Academy has accrued a liability for the overpayment.

H. Net Assets

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

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

I. Operating Revenues and Expenses

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

J. Estimates

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

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$214,190 and the bank balance was \$214,190. The entire bank balance was covered by FDIC insurance; therefore, \$0 of the bank balance was exposed to custodial credit risk. The Academy has no deposit policy for custodial credit risk.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS

B. Investments

During the fiscal year ended June 30, 2010, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

4. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2010 consist of Federal and State grant programs:

Grant	Amount
Title I	\$ 50,509
Title I School Improvement	2,286
Idea B	17,592
Total Intergovernmental Receivable	\$70,387

5. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2010, follows:

Capital Assets, being depreciated:	Balance 07/01/09	Additions	Deletions	Balance 06/30/10
Leasehold Improvements	\$339,920		(\$339,920)	
Furniture and Equipment	134,604	\$ 2,320		\$136,924
Sub-Total	474,524	2,320	(339,920)	136,924
Less: Accumulated Depreciation	(175,190)	(16,327)	68,051	(123,466)
Capital Assets, Net	\$299,334	(\$14,007)	(\$271,869)	\$ 13,458

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2010, the Academy contracted with Employers Mutual Casualty Company for property and general liability insurance.

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

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

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Worker's Compensation

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

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

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$11,540, \$11,302, and \$8,123, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

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 Web site at www.strsoh.org.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Options - 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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$60,520, \$50,571, and \$48,781 respectively; 100 percent has been contributed for each fiscal year.

8. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System of Ohio (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 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the Health Care and Medicare Part B benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the part of the employer contribution of 14 percent of covered payroll to the Health Care and Medicare B Funds. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105e. For 2010, .46 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 2010, this amount was \$35,800.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,429, \$3,358, and \$2,425 respectively; 100 percent has been contributed for each fiscal year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$618, \$605, and \$383 respectively; 100 percent has been contributed for each fiscal year.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.7 billion on June 30, 2009 (the last information available). For fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,323, \$3,612, and \$3,484 respectively; 100 percent has been contributed for each fiscal year.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

9. AGREEMENTS WITH CHARTER SCHOOL ADMINISTRATION SERVICES, INC.

The Academy originally entered into a two-year contract, effective July 1, 2004 through June 30, 2006, with Charter School Administration Services, Inc. (CSAS) for educational management services. The contract was extended through June 30, 2010. This agreement automatically renews for an additional term of one year and from year to year thereafter unless written notice of intent to terminate or renegotiate is given by either party. In exchange for its services, CSAS receives a management fee equal to 12% of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

- a. Providing the support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy.
- b. Implementation and administration of the Educational Program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs.
- c. All personnel functions, including professional development for the Academy Administrator, all instructional personnel, and support staff.
- d. Control, maintenance, and operation of the school building, and the installation of technology integral to the school design.
- e. All aspects of the business administration of the Academy.
- f. Transportation and food service for the Academy.
- g. A projected annual budget prior to each school year.
- h. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request.
- i. Provide support for annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy.
- j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year.
- k. Any other function necessary or expedient for the administration of the Academy.

For the year ended June 30, 2010, the management company fees were \$128,610.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claim will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

10. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2010 FTE adjustment resulted in a payable of \$554 for the Academy as a result of the enrollment data review.

11. OPERATING LEASE

The Academy entered into a lease for the period August 1, 2002, through June 30, 2006, with Education Real Estate, Inc. for a larger facility. The lease was extended through June 30, 2009. The lease calls for monthly payments of \$11,280 per month for the period of the lease. A holdover provision allows the Academy to continue the terms of the current lease on a month-to-month basis at the conclusion of the lease provision. The lease agreement for the facility was extended for an additional 12 months through June 30, 2010.

The Academy has also entered into leases commencing October 4, 2005 and February 1, 2006 for a term of 36 months for copiers. The Academy entered into a new copier lease commencing on July 1, 2008 through June 30, 2011. Payments made during the year 2010 totaled \$9,187. The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2010:

<u>Year ending June 30</u>	<u>Copiers</u>
2011	<u>\$5,856</u>
Future minimum payments	<u><u>\$5,856</u></u>

12. RELATED PARTIES

The Academy entered into a lease for the period August 1, 2002, through June 30, 2010, with Education Real Estate, Inc. for a larger facility (See Note 11). Education Real Estate, Inc. is the real estate company of Charter School Administration Services, Inc. (CSAS) the Academy's management company. The Academy did not make any rent payments during the year and as of June 30, 2010, \$135,360 was outstanding. Additionally, the Academy made \$758,824 in payments to CSAS during 2010 of which, \$506,366 was for old outstanding payables previously owed to CSAS. As of June 30, 2010, the Academy had outstanding payments due to CSAS in the amount of \$1,552,481.

The Academy sent several students to Camp Exposure during fiscal year 2010. Camp Exposure is owned by the Academy's management company (CSAS). Payments made to Camp Exposure totaled \$45,600 for fiscal year 2010.

The Academy made payments to Kenneth Jackson for various lawn maintenance services in the amount of \$6,550. These payments were in addition to his salary earned at the Academy as a maintenance/custodian employee.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

13. CONSORTIUM AGREEMENT

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

<u>Academy</u>	<u>State of Operation</u>
Academy of Business and Technology	Ohio
Academy of Arizona	Arizona
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Detroit West	Michigan
Academy of Oak Park	Michigan
Academy of Southfield	Michigan
Academy of Lathrup Village	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

The Management Agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 2000, and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS has agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS, for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium, for the 2009-2010 school year, in an amount equal to \$67 per month per student enrolled at the Academy. The Academy paid CSAS, the management company, \$94,470 for overhead fees. (See Notes 9 and 12)

14. OTHER PURCHASED SERVICES

During the year ended June 30, 2010, other purchased service expenses for services rendered by various vendors were as follows:

Advertising	\$ 9,607
Audit Fees	22,172
Equipment Rent/Lease	10,443
Food Service	59,420
Insurance	12,920
Legal	9,778
Maintenance and Repairs	16,319
Management Company Fees	223,080
Sponsorship Fees	26,013
Professional and Technical Services	84,655
Telephone	10,393
Utilities	37,277
Other	9,750
	<u>\$531,827</u>

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

15. SUBSEQUENT EVENTS/CONTINUED EXISTENCE

As of June 30, 2010, the Academy of Dayton's charter agreement with its Sponsor expired and the Academy terminated operations.

As of February 28, 2011, the Academy disbursed \$127,056 of the June 30, 2010 cash balance of \$214,190. The disbursements represented obligations of the Academy prior and subsequent to June 30, 2010 for purchased services expenses.

16. COMPLIANCE

The Academy did not comply with the following requirements:

The Code of Regulations of Academy of Dayton, Article V, Board of Trustees – Section 7 Meetings regarding holding annual meeting and five regular board meetings each year.

Ohio Rev. Code Section 3314.011 regarding Treasurer being licensed

Ohio Rev. Code Section 3314.023 regarding the community school sponsor being within fifty miles of the school and meeting with governing board once every two months.

Ohio Revised Code Section 117.38 regarding filing annual financial report publishing a notice in local newspaper

Ohio Rev. Code Section 3314.015(E) regarding following closeout procedures developed by Ohio Department of Education

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Dave Yost • Auditor of State

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

Academy of Dayton Community School
Montgomery County
Charter School Administration Services, Inc.
20820 Greenfield Road
Oak Park, MI 48237

To the Governing Board:

We have audited the financial statements the Academy of Dayton Community School, Montgomery County, (the Academy) as of and for the year ended June 30, 2010, as listed in the table of contents and have issued our report thereon dated March 18, 2011 wherein we noted that the Academy ceased operations as of June 30, 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-005.

The Academy's response to one of the findings 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 management, Governing Board, Academy's Sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

March 18, 2011

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

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

FINDING NUMBER 2010-001

NONCOMPLIANCE

The Code of Regulations of Academy of Dayton, Article V, Board of Trustees – Section 7 Meetings requires that the Board of Trustees shall hold an annual meeting and at least five regular meetings each year. The Board only met twice during the 2010 school year. Additionally, the board did not hold an annual meeting. It was the Board's responsibility to meet all the requirements outlined in the Code of Regulations as well as to monitor the financial activity of the Academy on a regular basis. Failure to follow the Code weakened the Board's ability to meet its objectives as outlined in the Code of Regulations, as well as to adequately monitor the Academy's activities.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-002

NONCOMPLIANCE

Ohio Rev. Code Section 3314.011 states that prior to assuming the duties of fiscal officer, the fiscal officer designated under this section shall be licensed under Section 3314.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete an additional twenty-four hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer of the school. However, any such classes, courses, or workshops in excess of sixteen hours completed by the fiscal officer prior to assuming the duties of fiscal officer shall count toward the additional twenty-four hours of continuing education required under this section. In each subsequent year, any fiscal officer who is not licensed under section 3314.074 of the Revised Code shall complete eight hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school.

The Chief Financial Officer did not hold a license under the above mentioned section of code and did not complete the required hours of continuing education during fiscal year 2010.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-003

NONCOMPLIANCE

Ohio Revised Code Section 3314.023 states that in order to provide monitoring and technical assistance, the sponsor of a community school shall be located or have representatives located within fifty miles of the location of the community school, or in the case of an internet- or computer-based community school, within fifty miles of the school's base of operation. A representative of the sponsor shall meet with the governing authority of the school and shall review the financial records of the school at least once every two months.

The Academy's sponsor, The Ashe Culture Center, Inc. did not meet with the Governing Board as required and was more than fifty miles from the location of the community school.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-004

NONCOMPLIANCE

Ohio Revised Code Section 117.38 requires in part that each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within one hundred fifty days after the close of the fiscal year for public offices reporting pursuant to generally accepted accounting principles. At the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a news paper published in the locality where the constituents are located if different from where the office of the chief fiscal officer is located, and if there is no such newspaper, then in a newspaper of general circulation in the locality of the constituents. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Academy did not file the annual report with the Auditor of State's office nor did it publish a notice that its financial report for fiscal year 2010 had been completed and was available for public inspection.

Official's Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-005

NONCOMPLIANCE

Ohio Rev. Code Section 3314.015(E) states that the department shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

The Ohio Department of Education has developed Community School Closing Procedures Assurances, the purpose of this document is to assure ODE that a sponsor has followed legally required community school closing procedures in a timely manner. Sponsors must provide and execute a plan for the closure of community schools they sponsor prior to the school closing its doors. Sponsors are required to complete and sign this assurance to ODE that proper notifications occur, records are properly distributed and assets are properly disposed with dates recorded in the cells including a final FTE review and scheduling of the final state audit within 30 days of closure of the school.

FINDING NUMBER 2010-005
(Continued)

The Academy did not perform the close-out procedures required until notified by the Auditor of State in February 2011. After inspection of the "Community School Closing Procedures Assurances" completed by the Academy, there was no evidence that following procedures were performed by the Academy:

1. Notify the school's staff of decision to close school:
 - A. Ensure that each faculty's LPDC information is current and available to the teachers;
 - B. Provide sponsor contact person information to all staff.
2. Notify resident districts and other stakeholders of the decision to close the school:
 - A. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported;
 - B. Notify the Office of Community Schools to eliminate all SAFE, CCIP and other ODE account logins for personnel associated with the closed school with the exception of designated closing process reporting personnel.
3. Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using the CCIP.
4. Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities. Account for all school property throughout the closing process by distinguishing state from federal dollars:
 - A. Review the financial records of the school
 - i. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets;
 - ii. Establish check off list of purchasers with proper USAS codes (599), state codes (001,499), the price of each item and the source of funds,
 - iii. Establish a payment process (e.g. checks, cash, credit cards, etc),
 - iv. Establish disposition plan for any remaining items.
 - v. Identify any State Facilities Commission guarantees.
 - B. Make disposition of the school's fixed assets
 - i. Offer real property acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
 - ii. For Federal Title and other consolidated and competitive funds, follow EDGAR liquidation procedures in 34 CFE 80.32 including disposition for items valued at \$5,000 or greater,
 - iii. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets;
 - a. Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
 - b. Follow EDGAR liquidation procedures in 34 CFR 80.32 for items valued at \$5,000 or greater;
 - c. Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio";

FINDING NUMBER 2010-005
(Continued)

The Academy's management and/or Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the school.

Official's Response: The Academy is still in the process of disposing of the Academy's assets. The Academy is aware of the required close-out procedures and intends to comply with such.

**ACADEMY OF DAYTON COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	The Code of Regulations of Academy of Dayton, Article V, Board of Trustees – Section 7 Meetings – Did not hold required annual meeting and five regular meetings	No	Repeated as Finding 2010-001
2009-002	ORC Section 3314.011 – Chief Fiscal Officer was not licensed	No	Repeated as Finding 2010-002
2009-003	ORC Section 3314.023 – Sponsor did not meet with governing board as required	No	Repeated as Finding 2010-003

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Academy of Dayton Community School
Montgomery County
Charter School Administration Services, Inc.
20820 Greenfield Road
Oak Park, MI 48237

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 the Academy of Dayton Community School (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 in May 2007 and updated it on May 12, 2010.
2. We read the policy, noting 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 includes 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 requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Dave Yost
Auditor of State

March 18, 2011



Dave Yost • Auditor of State

ACADEMY OF DAYTON COMMUNITY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2011