



Dave Yost • Auditor of State

**DECA PREP
MONTGOMERY COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	13
Required Supplementary Information:	
Schedule of the Academy's Proportionate Share of the Net Pension Liability (School Employees Retirement System)	35
Schedule of the Academy's Proportionate Share of the Net Pension Liability (State Teachers Retirement System)	36
Schedule of Academy's Contributions (School Employees Retirement System)	37
Schedule of Academy's Contributions (State Teachers Retirement System)	38
Notes to Required Supplementary Information	39
Schedule of Expenditures of Federal Awards	41
Notes to the Schedule of Expenditures of Federal Awards	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	45
Schedule of Findings	47
Prepared by Management:	
Summary Schedule of Prior Audit Findings	51
Corrective Action Plan	52

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of DECA Prep, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DECA Prep, Montgomery County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018

**DECA PREP
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of the DECA Prep's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2017. 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, 2017 are as follows:

- In total, net position was (\$549,375) at June 30, 2017.
- The Academy had operating revenues of \$6,525,033, operating expenses of \$8,791,452, non-operating revenues and contributions and donations of \$2,398,247, non-operating expenses of \$48,184 and \$778,787 in capital contributions for the fiscal year ended June 30, 2017. Total change in net position for the fiscal year ended June 30, 2017 was an increase of \$862,431.

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 position and statement of revenues, expenses and changes in net position 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position and changes in that position. This change in net position 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 9 and 10 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 11 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 13-34 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 35-39 of this report.

**DECA PREP
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below provides a summary of the Academy's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	2017	2016
<u>Assets</u>		
Current assets	\$ 2,231,646	\$ 937,535
Capital assets, net	2,289,608	1,411,218
	4,521,254	2,348,753
<u>Deferred Outflows of Resources</u>		
	4,432,416	2,668,866
<u>Liabilities</u>		
Current liabilities	355,264	290,835
Non-current liabilities	9,110,602	5,876,709
	9,465,866	6,167,544
<u>Deferred Inflows of Resources</u>		
	37,179	261,881
<u>Net Position</u>		
Net investment in capital assets	1,569,016	674,065
Restricted	683,308	58,798
Unrestricted (deficit)	(2,801,699)	(2,144,669)
	\$ (549,375)	\$ (1,411,806)
	\$ (549,375)	\$ (1,411,806)

During a previous fiscal year, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**DECA PREP
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Academy's net position totaled (\$549,375).

At year-end, capital assets represented 50.64% of total assets. Capital assets consisted of land, buildings and improvements and equipment. Net investment in capital assets at June 30, 2017, was \$1,569,016. 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.

**DECA PREP
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below shows the changes in net position for the fiscal year 2017 and 2016.

Change in Net Position

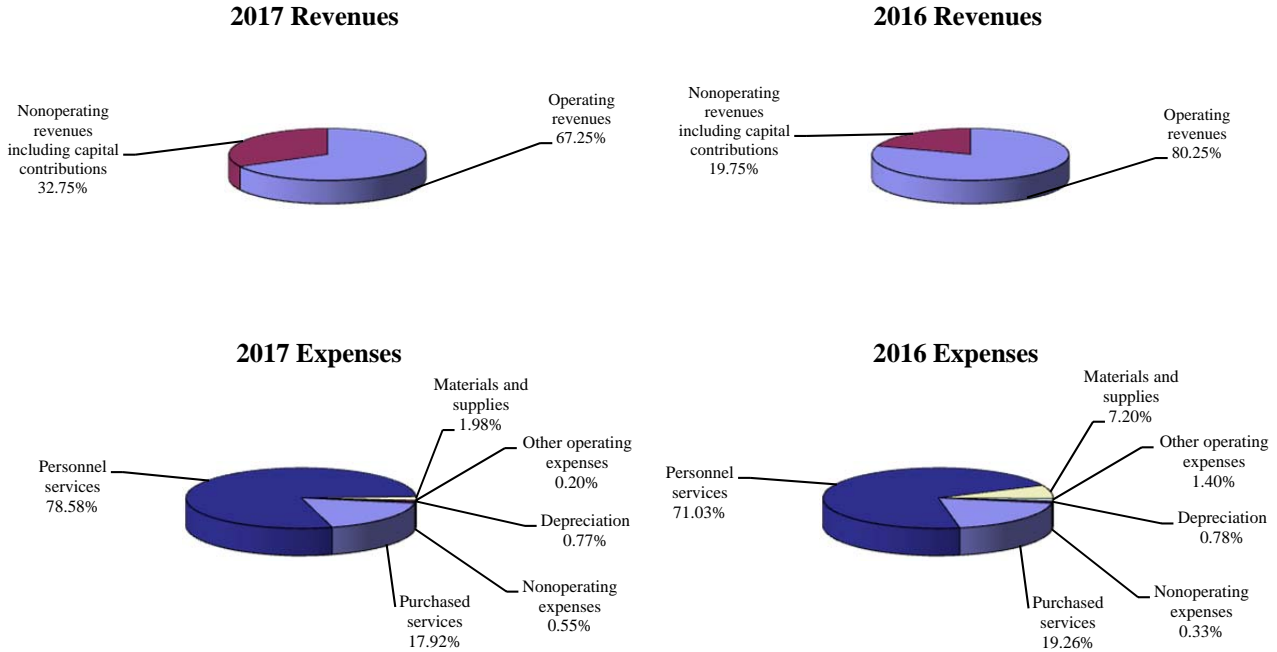
	2017	2016
<u>Operating revenues:</u>		
State foundation	\$ 6,485,586	\$ 4,096,447
Classroom materials and fees	1,665	-
Charges for services	8,087	-
Other	29,695	11,949
Total operating revenues	<u>6,525,033</u>	<u>4,108,396</u>
<u>Operating expenses:</u>		
Personnel services	6,946,145	3,795,630
Purchased services	1,583,752	1,029,228
Materials and supplies	175,166	384,822
Other operating expenses	18,369	74,686
Depreciation	68,020	41,426
Total operating expenses	<u>8,791,452</u>	<u>5,325,792</u>
<u>Non-operating revenues/(expenses):</u>		
Intermediate, state and federal grants	2,087,762	486,161
Interest revenue	2,805	974
Loss on disposal of capital assets	(11,429)	-
Donations and contributions	307,680	277,272
Interest and fiscal charges	(36,755)	(17,699)
Total non-operating revenues/(expenses)	<u>2,350,063</u>	<u>746,708</u>
Capital contributions	<u>778,787</u>	<u>246,495</u>
Change in net position	862,431	(224,193)
Net position at beginning of year	(1,411,806)	\$(1,187,613)
Net position at end of year	<u>\$ (549,375)</u>	<u>\$(1,411,806)</u>

Net position of the Academy increased \$862,431 or 61.09%. Operating revenues increased \$2,416,637 or 58.82%. The majority of the increase was the result of an increase in State foundation revenue which was primarily due to an increase in students. The Academy began operating 7th and 8th grade during fiscal year 2017 as those grades were previously operated by Dayton Early College Academy (DECA). Operating expenses increased \$3,465,660 or 65.07%. This increase is also related to the operating of 7th and 8th grade classes which led to additional salaries and benefits for new teachers. Purchased services increased due to additional costs related to the leasing of the future middle school. Intermediate, State and Federal grants increased \$1,601,601 mainly due to an increase in Title I funding and food service grants. The increase in capital contributions was the result of the Academy receiving a grant from the State's Ohio Facilities Construction Commission to be used for construction.

**DECA PREP
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2017 and 2016.



Capital Assets

At June 30, 2017, the Academy had \$2,289,608 invested in land, buildings and improvements and equipment. See Note 7 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2017, the Academy had \$720,592 in notes payable and capital leases outstanding. Of this total, \$50,452 is due in one year and \$670,140 is due in more than one year. See Notes 6 and 9 to the basic financial statements for more detail on debt.

Current Financial Related Activities

The Academy is sponsored by the Thomas B. Fordham Foundation. 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 Mr. Phil Hinson, Interim Treasurer, DECA Prep, 200 Homewood Avenue, Dayton, Ohio 45405.

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**DECA PREP
MONTGOMERY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$	952,960
Cash with fiscal agent		159,584
Receivables:		
Accounts		1,735
Intergovernmental		1,040,624
Prepayments		58,743
Security deposits		18,000

Total current assets 2,231,646

Non-current assets:

Non-depreciable capital assets		52,685
Depreciable capital assets, net		2,236,923

Total non-current assets. 2,289,608

Total assets. 4,521,254

Deferred outflows of resources:

Pension - STRS		3,780,769
Pension - SERS		651,647

Total deferred outflows of resources 4,432,416

Liabilities:

Current liabilities:

Accounts payable		42,443
Accrued wages and benefits		220,438
Pension and postemployment benefits payable		35,477
Intergovernmental payable		6,454
Notes payable		35,796
Capital leases obligation		14,656

Total current liabilities 355,264

Non-current liabilities:

Capital leases obligation		5,050
Notes payable		665,090
Net pension liability		8,440,462

Total non-current liabilities 9,110,602

Total liabilities 9,465,866

Deferred inflows of resources:

Pension - SERS		37,179
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Total deferred inflows of resources 37,179

Net position:

Net investment in capital assets 1,569,016

Restricted for:

Restricted for state programs		219,041
Restricted for federal programs		464,267

Unrestricted (deficit) (2,801,699)

Total net position. \$ (549,375)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DECA PREP
MONTGOMERY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
State foundation	\$ 6,485,586
Classroom materials and fees	1,665
Charges for services	8,087
Other	29,695
Total operating revenues	<u>6,525,033</u>
 Operating expenses:	
Personnel services	6,946,145
Purchased services.	1,583,752
Materials and supplies	175,166
Other operating expenses.	18,369
Depreciation	68,020
Total operating expenses.	<u>8,791,452</u>
 Operating loss	 <u>(2,266,419)</u>
 Non-operating revenues (expenses):	
Intermediate, state and federal grants	2,087,762
Interest revenue	2,805
Loss on disposal of capital assets	(11,429)
Donations and contributions	307,680
Interest and fiscal charges	(36,755)
Total non-operating revenues (expenses)	<u>2,350,063</u>
 Loss before capital contributions	 <u>83,644</u>
 Capital contributions.	 <u>778,787</u>
 Change in net position	 862,431
 Net position at beginning of year	 <u>(1,411,806)</u>
Net position at end of year	<u>\$ (549,375)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DECA PREP
MONTGOMERY COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from foundation	\$ 6,467,111
Cash received from classroom materials and fees	1,665
Cash received from charges for services.	8,087
Cash received from other operations	20,859
Cash payments for personnel services	(5,633,179)
Cash payments for purchased services	(1,598,179)
Cash payments to suppliers for goods and supplies	(172,642)
Cash payments for other expenses	(34,352)
	(940,630)
Net cash used in operating activities	(940,630)
Cash flows from noncapital financing activities:	
Cash received from intermediate, State and federal grants	1,507,411
Cash received from donations and contributions	307,680
	1,815,091
Net cash provided by noncapital financing activities.	1,815,091
Cash flows from capital and related financing activities:	
Principal paid on capital leases	(13,942)
Principal paid on notes	(2,619)
Interest and fiscal charges.	(36,755)
Capital contributions	413,220
Acquisition of capital assets	(957,839)
	(597,935)
Net cash used in capital and related financing activities.	(597,935)
Cash flows from investing activities:	
Interest received	2,805
	2,805
Net cash provided by investing activities	2,805
Net increase in cash and cash equivalents	279,331
Cash and cash equivalents at beginning of year	833,213
Cash and cash equivalents at end of year	\$ 1,112,544
	\$ 1,112,544
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,266,419)
Adjustments:	
Depreciation	68,020
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) in accounts receivable	(1,735)
Intergovernmental receivable	(21,215)
Prepayments	(45,912)
Deferred outflows - pension - STRS	(1,448,841)
Deferred outflows - pension - SERS	(314,709)
Accounts payable.	20,688
Contracts payable	(29,813)
Accrued wages and benefits	74,646
Intergovernmental payable	(23,535)
Pension and postemployment benefits payable	(7,943)
Net pension liability	3,280,840
Deferred inflows - pension - STRS	(191,597)
Deferred inflows - pension - SERS	(33,105)
	(33,105)
Net cash used in operating activities	\$ (940,630)

Non-cash transactions:

During fiscal year 2017, the Academy received \$73,126 in non-operating grants, which was recognized as a receivable at June 30, 2016. A receivable in the amount of \$1,019,044 has been recorded for non-operating grants at June 30, 2017.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE ACADEMY

DECA Prep (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 Academy is a K-8 school in Dayton, Ohio, designed to immerse prospective first generation college students in a personalized, rigorous elementary curriculum to assure they will succeed in high school and college. The Academy was set up as a feeder school for the Dayton Early College Academy, a separate, independent community school. For fiscal year 2017, grades K-8 were in operation. Grades 7 and 8 were moved from Dayton Early College Academy (DECA) in fiscal year 2017. Fiscal year 2013 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 Thomas B. Fordham Foundation (the "Sponsor") for a period of five years commencing July 1, 2012 and ending June 30, 2017. The Sponsor is responsible for evaluating the Academy's performance 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 12 member Governing Board (the "Board"). The Board is composed of a Chairman, Vice Chairman, Parent Representative, nine Board members. 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 two instructional/support facilities staffed by 76 certified full-time teaching personnel and 15 non-certified employees who provide services to 798 students.

NOTE 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 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.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Equity consists of net total position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, see Note 13 for deferred outflows of resources related the Academy's net pension liability.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Note 13 for deferred inflows of resources related to the Academy's net pension liability.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the school's contract with its sponsor. 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.

E. Cash and Investments

All cash the Academy receives is maintained at a central bank. For purposes of the statement of cash flows and for presentation on the statement of net position, 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 2017, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Nonparticipating investments contracts are reported at cost.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2017, the Academy invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Academy measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

F. 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 acquisition values as of the date received. The Academy maintains a capitalization threshold of \$2,500. The Academy does not have any infrastructure.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings/improvements	50 years
Furniture/equipment	5 - 10 years

G. 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, classroom materials 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.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, Title VI-B grant, the Federal Title I grant, the Federal Title II-A grant, the State Community Connectors grant and the Ohio Facilities Construction Commission (OFCC) Community School Facility 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 2017 was \$2,087,762. Revenue from the OFCC Community School Facility Grant is report as capital contributions.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position 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.

J. Compensated Absences

The Academy accrues a liability for employees that were Board approved to receive severance.

K. 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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES

For fiscal year 2017, the Academy has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Academy.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash with Fiscal Agent

The Academy had \$159,584 in cash held with the Dayton Foundation at June 30, 2017. 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. Cash on Hand

At fiscal year end, the Academy had \$50 in undeposited cash on hand which is included on the financial statements of the Academy as part of "equity in pooled cash and cash equivalents".

C. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all Academy deposits was \$750,639. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,032,111 of the Academy's bank balance of \$1,282,111 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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 that are not FDIC insured. 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 that are not FDIC insured or as specific collateral held at the Federal Reserve Bank in the name of the Academy. 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.

D. Investments

As of June 30, 2017, the Academy had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Amorized cost:		
STAR Ohio	<u>\$ 202,271</u>	<u>\$ 202,271</u>

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: STAR Ohio carries a rating of AAAM by Standard & Poor's.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 the Academy held at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 202,271	100.00

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 750,639
Investments	202,271
Cash with fiscal agent	159,584
Cash on hand	50
Total	<u>\$ 1,112,544</u>
 <u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 1,112,544</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts 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 position follows:

Accounts	\$ 1,735
Intergovernmental:	
Title I	440,096
Title II-A	121,247
Title VI-B	40,603
OFCC Community School Facility Grant	365,567
Miscellaneous amounts	21,580
Federal breakfast and lunch program	51,531
Total	<u>\$ 1,042,359</u>

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2017 were as follows.

	Balance			Balance	Due Within
	<u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/17</u>	<u>One Year</u>
Capital lease obligation payable	\$ 33,648	\$ -	\$ (13,942)	\$ 19,706	\$ 14,656
Net pension liability	5,159,622	3,280,840	-	8,440,462	-
Note payable - subordinate note	3,505	-	-	3,505	3,505
Note payable - 5.00%	<u>700,000</u>	<u>-</u>	<u>(2,619)</u>	<u>697,381</u>	<u>32,291</u>
Total governmental activities long-term liabilities	<u>\$ 5,896,775</u>	<u>\$ 3,280,840</u>	<u>\$ (16,561)</u>	<u>\$ 9,161,054</u>	<u>\$ 50,452</u>

Capital Lease Obligation: See Note 9 for details.

Net Pension Liability: See Note 13 for details.

Note Payable - Subordinate Note: During fiscal year 2015, the Academy entered into an agreement to purchase the buildings at 200 Homewood Avenue, Dayton, Ohio, and 249 Squirrel Road, Dayton, Ohio that the Academy had previously leased. As part of the purchase, the Academy entered into a \$250,000 subordinate promissory note which shall be forgiven (a) in an amount equal to \$1 for every \$2 of capital investment the Academy makes to the buildings ("capital investment" being defined as funds expended to either buy fixed assets or to add value to an existing asset with a useful life that extends beyond the taxable year in which the expenditure occurs) or (b) in total at the end of ten years if the Academy is then using, and has at all time during such ten year period used, the buildings solely for the operation of a school serving K through 12 students, pre-school students or a subsection thereof. To the extent it is not forgiven as provided in (a) or (b) above, the note will be due and payable in full upon the first to occur of the following: (A) the Academy ceasing to use the buildings for the specific use or (B) any change in ownership of the buildings or (C) a default under the note.

Note Payable - On April 12, 2016, the Academy entered into a promissory note in the amount of \$700,000 for the purpose of paying off the previous \$300,000 short-term note payable and providing extra capital for other improvements for the Academy. The note carries an interest rate of 5.00% and has a final maturity date of June 1, 2022.

The following is a summary of the future debt service requirements to maturity for note payable:

Fiscal Year Ending	Note Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2018	\$ 32,291	\$ 34,136	\$ 66,427
2019	33,943	32,484	66,427
2020	35,680	30,747	66,427
2021	37,505	28,922	66,427
2022	<u>557,962</u>	<u>27,003</u>	<u>584,965</u>
Total	<u>\$ 697,381</u>	<u>\$ 153,292</u>	<u>\$ 850,673</u>

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2017, follows:

	Balance <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/17</u>
<i>Capital assets, not being depreciated</i>				
Land	\$ 52,685	\$ -	\$ -	\$ 52,685
<i>Total capital assets, not being depreciated</i>	<u>52,685</u>	<u>-</u>	<u>-</u>	<u>52,685</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvements	1,300,844	950,993	-	2,251,837
Equipment	<u>126,985</u>	<u>6,846</u>	<u>(12,357)</u>	<u>121,474</u>
<i>Total capital assets, being depreciated</i>	<u>1,427,829</u>	<u>957,839</u>	<u>(12,357)</u>	<u>2,373,311</u>
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(26,533)	(48,286)	-	(74,819)
Equipment	<u>(42,763)</u>	<u>(19,734)</u>	<u>928</u>	<u>(61,569)</u>
<i>Total accumulated depreciation</i>	<u>(69,296)</u>	<u>(68,020)</u>	<u>928</u>	<u>(136,388)</u>
<i>Net Capital Assets</i>	<u>\$ 1,411,218</u>	<u>\$ 889,819</u>	<u>\$ (11,429)</u>	<u>\$ 2,289,608</u>

NOTE 8 - PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	\$ 601,286
Property services	234,304
Travel mileage/meeting expense	38,336
Communications	25,378
Utilities	91,982
Contracted craft or trade	365,013
Other purchased services	<u>227,453</u>
Total purchased services	<u>\$ 1,583,752</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease 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 \$67,332, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 was \$49,377, leaving a current book value of \$17,955. Principal and interest payments in the 2017 fiscal year totaled \$13,942 and \$1,366, respectively.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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, 2017:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 15,308
2019	<u>5,103</u>
Total future minimum lease payments	20,411
Less: amount representing interest	<u>(705)</u>
Present value of future minimum lease payments	<u>\$ 19,706</u>

NOTE 10 - OPERATING LEASES

On November 17, 2015, the Academy entered into a sublease agreement with Miami-Jacobs Business College Company for a building located at 110 and 120 Patterson Blvd., Dayton, Ohio 45402. Miami-Jacobs Business College Company will lease the buildings from Canal, LLC. The building will house the Academy's middle school grades 6-8. The lease period of the building runs from February 1, 2016 through September 30, 2022. During fiscal year 2017, the Academy made \$104,428 in lease payments.

The following is a summary of the future minimum leases payments scheduled to be paid by the Academy:

Fiscal Year Ending <u>June 30,</u>	<u>Mimimum Lease Payments</u>
2018	\$ 115,501
2019	117,811
2020	120,120
2021	122,430
2022	124,933
2023	31,570

NOTE 11 - 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 2017, the Academy contracted with Cincinnati Insurance Company for commercial property, employee liability, theft, electronic data processing and commercial umbrella liability insurance. General liability carries a limit of \$1,000,000 for each occurrence and \$2,000,000 aggregate. Commercial umbrella liability carries a limit of \$3,000,000 for each occurrence. There have been no significant reductions in insurance coverage from the previous year. Settlements have not exceeded coverage for the past three fiscal years.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

B. Workers' 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 the State calculates.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

The Academy has contracted with United Health Care for medical, life and vision benefits and Superior Dental for dental benefits to its employees.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable*.

Plan Description - School Employees Retirement System (SERS)

Plan Description –Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Academy's contractually required contribution to SERS was \$116,459 for fiscal year 2017. Of this amount, \$3,407 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$485,621 for fiscal year 2017. Of this amount, \$27,454 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.01291940%	0.01600180%	
Proportion of the net pension liability current measurement date	<u>0.01685300%</u>	<u>0.02153071%</u>	
Change in proportionate share	<u>0.00393360%</u>	<u>0.00552891%</u>	
Proportionate share of the net pension liability	\$ 1,233,484	\$ 7,206,978	\$ 8,440,462
Pension expense	\$ 264,936	\$ 1,629,732	\$ 1,894,668

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 16,638	\$ 291,198	\$ 307,836
Net difference between projected and actual earnings on pension plan investments	101,746	598,374	700,120
Changes of assumptions	82,342	-	82,342
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	334,462	2,405,576	2,740,038
Academy contributions subsequent to the measurement date	<u>116,459</u>	<u>485,621</u>	<u>602,080</u>
Total deferred outflows of resources	<u>\$ 651,647</u>	<u>\$ 3,780,769</u>	<u>\$ 4,432,416</u>
Deferred inflows of resources			
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 37,179</u>	<u>\$ -</u>	<u>\$ 37,179</u>
Total deferred inflows of resources	<u>\$ 37,179</u>	<u>\$ -</u>	<u>\$ 37,179</u>

\$602,080 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 178,828	\$ 946,623	\$ 1,125,451
2019	175,451	946,623	1,122,074
2020	114,479	884,670	999,149
2021	<u>29,251</u>	<u>517,232</u>	<u>546,483</u>
Total	<u>\$ 498,009</u>	<u>\$ 3,295,148</u>	<u>\$ 3,793,157</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Academy's proportionate share of the net pension liability	\$ 1,633,056	\$ 1,233,484	\$ 899,026

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$ 9,577,488	\$ 7,206,978	\$ 5,207,313

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Academy's NPL is expected to be significant.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the Academy's surcharge obligation was \$4,616.

The Academy's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$4,616, \$5,795, and \$8,385, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The Academy's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 15 - 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, 2017.

B. State Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

2017 ODE adjustment resulted in the Academy owing \$2,839 to ODE.

In addition, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments resulted in a payable to ODE. The impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts resulted in an additional receivable to the Academy.

NOTE 16 - SERVICE AGREEMENTS

Thomas B. Fordham Foundation

The Academy entered into a five-year contract effective on July 1, 2012 and continuing through June 30, 2017 with the Thomas B. Fordham Foundation (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; and,
- Monitor and evaluate the academic, fiscal performance and the organization and operation of the Academy.

The Academy paid the Sponsor a 2.00% sponsorship fee, based on State foundation revenue for fiscal year 2017. During fiscal year 2017, the Academy made \$98,357 in payments to the Sponsor.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

Meta Solutions - The Academy is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

NOTE 18 - RELATED PARTIES

The Superintendent and Treasurer of DECA Prep serve in the same capacity for Dayton Early College Academy. Members of the Governing Board for DECA Prep also serve on the board for Dayton Early College Academy. During fiscal year 2017, Dayton Early College Academy served as fiscal agent for the donations with Dayton Foundation for DECA Prep.

NOTE 19 - SUBSEQUENT EVENT

On August 22, 2017, the Academy entered into two promissory notes for a total of \$800,000. One note was issued for \$603,761 at a rate of 5.00% and has a final maturity date of September 1, 2033. The second note was issued for \$196,239 at a rate of 5.65% and has a final maturity date of September 1, 2023. The notes were issued to refinance the previous notes outstanding and provide additional funding for construction projects.

**DECA PREP
MONTGOMERY COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Academy's proportion of the net pension liability	0.01685300%	0.01291940%	0.01149500%	0.00463823%
Academy's proportionate share of the net pension liability	\$ 1,233,484	\$ 737,193	\$ 581,755	\$ 275,840
Academy's covered payroll	\$ 577,679	\$ 388,945	\$ 334,012	\$ 112,587
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	213.52%	189.54%	174.17%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

**DECA PREP
MONTGOMERY COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Academy's proportion of the net pension liability	0.02153071%	0.01600180%	0.01250078%	0.74692200%
Academy's proportionate share of the net pension liability	\$ 7,206,978	\$ 4,422,429	\$ 3,040,622	\$ 2,164,137
Academy's covered payroll	\$ 2,269,221	\$ 1,669,521	\$ 1,277,238	\$ 769,177
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	317.60%	264.89%	238.06%	281.36%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

**DECA PREP
MONTGOMERY COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 116,459	\$ 80,875	\$ 51,263	\$ 46,294	\$ 15,582
Contributions in relation to the contractually required contribution	<u>(116,459)</u>	<u>(80,875)</u>	<u>(51,263)</u>	<u>(46,294)</u>	<u>(15,582)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 831,850	\$ 577,679	\$ 388,945	\$ 334,012	\$ 112,587
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%	13.84%

Note: Information prior to fiscal year 2013 was unavailable as that was the first year of operations of the Academy.

**DECA PREP
MONTGOMERY COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 485,621	\$ 317,691	\$ 233,733	\$ 166,041	\$ 99,993
Contributions in relation to the contractually required contribution	<u>(485,621)</u>	<u>(317,691)</u>	<u>(233,733)</u>	<u>(166,041)</u>	<u>(99,993)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 3,468,721	\$ 2,269,221	\$ 1,669,521	\$ 1,277,238	\$ 769,177
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	13.00%

Note: Information prior to fiscal year 2013 was unavailable as that was the first year of operations of the Academy.

**DECA PREP
MONTGOMERY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014- 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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**DECA PREP
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$14,788
National School Lunch Program	10.555	N/A	44,941
Total Child Nutrition Cluster			<u>59,729</u>
Total U.S. Department of Agriculture			<u>59,729</u>
U. S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	941,448
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	158,143
Total Special Education Cluster:			<u>158,143</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A	58,783
Total U. S. Department of Education			<u>1,158,374</u>
Total Federal Awards Expenditures			<u><u>\$1,218,103</u></u>

The accompanying notes are an integral part of this schedule.

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of DECA Prep's (the Academy's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Academy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The Academy transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$314,150
Special Education Grants to States	84.027	\$13,613
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	\$97,678



Dave Yost • Auditor of State

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

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of DECA Prep, Montgomery County, (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-003.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the Academy's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited the DECA Prep's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect DECA Prep's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

The Academy's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on the Major Federal Program

In our opinion, DECA Prep complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-004. Our opinion on *the* major federal program is not modified with respect to this matter.

The Academy's response to our noncompliance finding is described in the accompanying corrective action plan. We did not subject the Academy's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 20, 2018

**DECA PREP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies (CFDA # 84.010)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

NONCOMPLIANCE/ FINDING FOR RECOVERY REPAID UNDER AUDIT

Ohio Rev. Code § 149.351 states, in part, that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.”

The following checks were written to Cynthia Shoemaker, Assistant to the Treasurer, and lacked any kind of supporting documentation;

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
7/23/2015	1666	829
3/30/2015	1487	744
Total		<u>\$1,573</u>

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public money illegally expended in the amount of \$1,573 is hereby issued against Cynthia Shoemaker, and in favor of DECA Prep’s General Fund.

On July 10, 2017, the Academy’s insurance company processed a claim for employee dishonesty and repaid \$1,573 for amounts drawn on check numbers 1666 and 1487.

The Academy should implement procedures to verify that all reimbursements are supported with adequate documentation and approved by management with appropriate independent authority in accordance with reimbursement guidelines of the Academy prior to the individual being reimbursed. Additionally, the Academy should establish policies and implement procedures to verify that all documentation is properly maintained. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

Official’s Response: See Corrective Action Plan on page 52

FINDING NUMBER 2017-002

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions

The following errors were noted in the Academy's 2017 basic financial statements that were determined to be material individually and/or in aggregate and required adjustment to the accompanying financial statements:

**FINDING NUMBER 2017-002
 (Continued)**

1. The Academy received \$176,505 from 2017 federal grants during fiscal year 2018. These receipts should have been reported as intergovernmental receivable and intermediate, state and federal grants on the financial statements. The Academy failed to report the receivable and associated revenue.
2. The Academy did not capitalize all cost associated with the Corpus Christi building. This resulted in Capital Assets, Net being understated by \$52,989, depreciation expense was understated by \$1,081 and other operating expenses were overstated by \$54,070.
3. Additionally, an adjustment was made to increase the value of Capital Assets by \$70,668 and depreciation expense by \$1,442. This error was reported to the management in prior year as an unadjusted difference. However, the amount became material when aggregated with other errors noted during 2017 audit.

Other immaterial errors were identified which did not require making adjustments to the financial statements and have been reported to the management in summary of identified misstatements form.

The Academy should design and implement procedures to review the amounts reported in the financial statements. Failure to do so could result in material misstatements going undetected and could result in users of the financial statements basing their conclusions on these erroneous amounts.

Official's Response: See Corrective Action Plan on page 52

FINDING NUMBER 2017-003

NONCOMPLIANCE

See (federal) finding # 2017-004 below; *Government Auditing Standards* also requires us to report this finding.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2017-004		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program (CFDA 10.553) National School Lunch Program (CFDA 10.555)		
Federal Award Identification Number / Year	2017		
Federal Agency	United States Department of Agriculture		
Compliance Requirement	Other		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	N/A

**FINDING NUMBER 2017-004
 (Continued)**

NONCOMPLIANCE

2 C.F.R. § 400.1 gives regulatory effect to the United States Department of Agriculture for **2 C.F.R. § 200.510(b)** which states that the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

The Academy did not accurately prepare the Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year 2017. The School overstated expenditures for following programs within the Child Nutrition Cluster:

School Breakfast Program (CFDA #10.553)	\$63,482
National School Lunch Program (CFDA #10.555)	178,069
Total Child Nutrition Cluster	<u>\$241,551</u>

The total misstatement was 16.55% of the federal expenditures initially reported by the Academy and accompanying schedule has been adjusted to correctly report the federal expenditures.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with 2 C.F.R. § 200.510(b), due care should be taken in the preparation of the Schedule of Expenditures of Federal Awards. The schedule should be reviewed after preparation and tied to the underlying cash reports of the Academy for accuracy. Failure to do so could result in material misstatements on the Schedule.

Official's Response: See Corrective Action Plan on page 52



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Finding for Recovery – Repaid under Audit for overpayment to teacher	Fully Corrected	

DECA PREP
 200 Homewood Avenue
 Dayton, OH 45405
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Put Students First • Demand Success • Invest Deeply in Relationships • Do What’s Right • Prove Education Changes Lives • Find Joy



**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Academy implemented a document trail and has implemented checks and balances to ensure proper processing and filing of fiscal documentation. Purchasing Agent approves each PO and then Fiscal Office reviews and files accordingly.	Completed	Treasurer
2017-002	Fiscal Team will work closely with compilers to ensure proper and more accurate financial reporting.	Ongoing	Treasurer
2017-003	Treasurer will work with appropriate school staff and consultants to ensure proper and accurate federal schedule reporting and spending.	Ongoing	Treasurer
2017-004	Treasurer will work with appropriate school staff and consultants to ensure proper and accurate federal schedule reporting and spending.	Ongoing	Treasurer

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Dave Yost • Auditor of State

DECA PREP

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
DECEMBER 18, 2018