



Mary Taylor, CPA
Auditor of State

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Dayton View Academy School, Montgomery County (the Academy), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dayton View Academy School, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2007, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 6, 2007

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Dayton View Academy School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net assets decreased \$24,877, which represents a 7.3 percent decrease from fiscal year 2005.
- Total assets increased \$141,224, which represents a 6.3 percent increase from fiscal year 2005.
- Liabilities increased \$166,101 which represents an 8.8 percent increase from fiscal year 2005.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The statement of net assets includes all assets and liabilities, both short-term and long-term using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2006 and fiscal year 2005:

(Table 1)
Net Assets

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets:			
Current Assets	\$2,380,766	\$2,239,542	\$141,224
Liabilities:			
Current Liabilities	<u>2,063,269</u>	<u>1,897,168</u>	<u>166,101</u>
Net Assets:			
Unrestricted	<u>\$317,497</u>	<u>\$342,374</u>	<u>(\$24,877)</u>

Total assets increased \$141,224, mainly due to an increase in cash and cash equivalents, which was a result of fewer expenses. Liabilities increased by \$166,101 from fiscal year 2005, due to the increase in intergovernmental payables resulting from an overpayment of foundation. Net Assets decreased by \$24,877. The School has no capital assets.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2006 and fiscal year 2005.

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

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Operating Revenues:			
Sales	\$44,012	\$7,593	\$36,419
State Foundation	4,032,993	6,120,646	(2,087,653)
Poverty Based Assistance	674,581	795,089	(120,508)
Miscellaneous	29,745	28,718	1,027
Non-Operating Revenues:			
Federal and State Grants	1,759,945	1,786,205	(26,260)
Interest	27,519	7,668	19,851
Total Revenues	<u>6,568,795</u>	<u>8,745,919</u>	<u>(2,177,124)</u>
Operating Expenses:			
Fringe Benefits	406,564	420,267	(13,703)
Purchased Services	6,166,910	8,431,385	(2,264,475)
Rent	6,672	6,722	(50)
Materials and Supplies	11,585	2,405	9,180
Other Expenses	1,941	2,302	(361)
Total Expenses	<u>6,593,672</u>	<u>8,863,081</u>	<u>(\$2,269,409)</u>
Change in Net Assets	(24,877)	(117,162)	
Net Assets Beginning of Year	<u>342,374</u>	<u>459,536</u>	
Net Assets End of Year	<u>\$317,497</u>	<u>\$342,374</u>	

Net assets decreased \$24,877. There was a decrease in revenues of \$2,177,124 and a decrease in expenses of \$2,269,409 from fiscal year 2005. Community Schools receive no support from tax revenues. Revenues decreased due to a decrease in enrollment. The decrease in expenses was the result of a decrease in enrollment as staff and programs were cut.

Payroll is handled by a management company. Fringe benefits deducted from the State Foundation Formula decreased \$13,703 from fiscal year 2005. Purchases services decreased by \$2,264,475. The decrease in purchased services was the result of staff and program reductions.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at Dayton View Academy School, 1416 West Riverview Avenue, Dayton, Ohio 45407 or e-mail at ww_treas@mdeca.org.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets:

Current Assets:

Cash and Cash Equivalents	\$1,730,088
Intergovernmental Receivables	647,740
Accrued Interest Receivable	2,938
Total Assets	<u>2,380,766</u>

Liabilities:

Current Liabilities:

Accounts Payable	31,242
Edison Payable	1,668,224
Intergovernmental Payable	340,713
Accrued Wages and Benefits	23,090
Total Liabilities	<u>2,063,269</u>

Net Assets:

Unrestricted	317,497
Total Net Assets	<u>\$317,497</u>

See accompanying notes to the basic financial statements.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Operating Revenues:

Sales	\$44,012
State Foundation	4,032,993
Poverty Based Assistance	674,581
Miscellaneous	29,745
Total Operating Revenues	<u>4,781,331</u>

Operating Expenses:

Fringe Benefits	406,564
Purchased Services	6,166,910
Rent	6,672
Materials and Supplies	11,585
Other	1,941
Total Operating Expenses	<u>6,593,672</u>
Operating Loss	<u>(1,812,341)</u>

Non-Operating Revenues:

Federal and State Grants	1,759,945
Interest	27,519

Total Non-Operating Revenues 1,787,464

Change in Net Assets (24,877)

Net Assets at Beginning of Year 342,374

Net Assets at End of Year \$317,497

See accompanying notes to the basic financial statements.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Sales	\$44,012
Cash Received from State of Ohio	5,048,287
Cash Received from Miscellaneous Sources	29,745
Cash Payments for Fringe Benefits	(429,654)
Cash Payments to Suppliers for Goods and Services	(6,336,689)
Cash Payments to Others	(1,941)

Net Cash Used for Operating Activities (1,646,240)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received 1,852,428

Cash Flows from Investing Activities:

Interest 24,581

Net Increase in Cash and Cash Equivalents 230,769

Cash and Cash Equivalents at Beginning of Year 1,499,319

Cash and Cash Equivalents at End of Year \$1,730,088

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$1,812,341)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Changes in Assets and Liabilities:	
Increase in Accounts Payable	27,207
Increase in Intergovernmental Payable	340,713
Decrease in Edison Payable	(201,819)
Total Adjustments	<u>166,101</u>

Net Cash Used for Operating Activities (\$1,646,240)

See accompanying notes to the basic financial statements.

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**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community School "Doing Business As" Dayton View Academy School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational literary, scientific and related teaching service. Specifically, the School's purpose is to be a charter school serving children from kindergarten through grade eight. The School, which is part of the state's education program, is to operate or arrange for the operation of schools in the Dayton, Ohio area. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

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

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

The School operates under a seven member Board of Trustees. This Board exercises its authority by appointing a separate five member Board of Governance for the School. The Board of Trustees is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Governors controls the School's one instructional facility staffed by 34 teaching personnel who provide services to approximately 793 students.

The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 16)

Alliance Community Schools has several divisions. These divisions operate under the names of Dayton Academy School and Dayton View Academy School. Alliance Community Schools, Inc. has contracted with Edison Schools, Inc. to act as a management company for both of the Schools. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

The School uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

B. Measurement Focus

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

The School maintains an interest bearing depository account and a certificate of deposit. All funds of the School are maintained in these accounts. The interest bearing depository account is presented in the statement of net assets as Cash and Cash Equivalents. The School invests in a repurchase agreement.

E. Compensated Absences

The School's contract with Edison Schools, Inc. states Edison will process all payroll and all employee's will follow Edison's personnel policies. This policy also states that any unused sick leave does not carryover to successive years, and there is no payment of sick leave upon separation. In addition, the policy states that all vacation should be taken within the year it is earned. Therefore, neither sick nor vacation leave is accrued as a liability.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Assets

Net assets represent the difference between assets and liabilities. The School has no debt or capital assets. The School's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State and sales for food services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the Poverty Based Assistance Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include 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 School must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the School on a reimbursement basis.

The amount of these grants are directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

I. Estimates

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

J. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$275,987 of the School's bank balance of \$375,987 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the School's name.

The School has a deposit policy for custodial risk for deposits.

B. Investments

As of June 30, 2006, the School had the following investments:

	Fair Value	Maturity
Repurchase Agreements	\$1,367,281	Less than 30 days

1. Interest Rate Risk

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

2. Credit Risk

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

4. RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental (Federal and State grants) receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Title V	\$3,431
Title I	96,598
IDEA – B	254,385
School Improvement	45,000
Title IV	2,555
Title II-A	53,705
Reading	192,066
Total Intergovernmental Receivable	\$647,740

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2006, the School's management company, Edison Schools, Inc., carried comprehensive insurance on all of the schools they manage. This policy cannot be broken out on a per school basis, and therefore is presented on a cumulative basis. Edison Schools, Inc. contracted with Willis of Tennessee, Inc. for employee dishonesty (crime and fiduciary) bonds, business personal property, general liability, and excess liability insurance.

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$46,009, \$46,573, and \$51,398, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$ 342,431, \$306,432, and \$335,122, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2006 were \$13,532 made by the School and \$17,548 made by the plan members.

7. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$26,341 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the 2006 fiscal year, the School paid \$14,873 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

8. EMPLOYEE BENEFITS

As part of the management agreement with Edison Schools, Inc. (See Note 14), medical, dental, and vision insurance benefits for School employees are paid by Edison.

9. RELATED PARTY TRANSACTIONS

A. Alliance Edison, LLC (AE)

The School leases its facility and land from Alliance Edison, LLC (AE). The lease expense for the year ended June 30, 2006 was \$6,672. (See Note 10)

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. RELATED PARTY TRANSACTIONS (Continued)

B. Board of Governance

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

C. Thomas B. Fordham Foundation

The School contract requires one percent of all funds received from the state foundation to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total payments made during the period ended June 30, 2006 were \$50,483, of that total, \$27,218 was payable as of June 30, 2006.

10. LEASES

The School subleases a building and 5.8494 acres through Alliance Edison, LLC (AE). (See note 9A) AE leases the land from the Dayton Metropolitan Housing Authority (DHMA). The term of the lease commences on July 1, 2005 through June 30, 2009. The School has an option to renew the lease for six additional terms of five years. The School agreed to pay AE, as rent for the land, an amount equal to the land lease owed to the DMHA; plus an amount equal to the debt service relating to any financing obtained; plus loan closing cost, ongoing loan administration cost associated with any financing secured by the premises, including but not limited to, cost associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AE. Rent paid for the land for the year ended June 30, 2006 was \$6,672.

11. STATE SCHOOL FUNDING DECISION

A suit was filled in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of the right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Dayton View Academy School is not presently determinable.

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to insure the schools are reporting accurate student enrollment data to the state, upon which State foundation funding is calculated. The School owed \$41,505, which will be repaid over seven months starting in December 2006.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. PURCHASED SERVICES

For the fiscal year ended June 30 2006, purchased service expenses for services rendered by various vendors were as follows:

Management Company Fees	\$6,006,093
Alliance Community Schools	110,334
Sponsorship Fees	<u>50,483</u>
Total	<u><u>\$6,166,910</u></u>

14. AGREEMENT WITH EDISON SCHOOLS, INC.

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

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to Edison all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources," except for \$86,946 and rent and common area rental. The following is a summary of current payment activity to Edison:

Amount due current fiscal year	\$6,006,093
Amount remitted current fiscal year	<u>(6,207,912)</u>
Decrease in Edison Payable	<u><u>(\$201,819)</u></u>

2. The School's Financial Responsibility

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

3. Edison Financial Responsibilities

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

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

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

4. Budget

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

B. Personnel

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

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

C. Agreement Termination

1. Termination by the School

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

2. Termination by Edison

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

15. EDISON SCHOOLS, INC. EXPENSES

For the fiscal year ended June 30, 2006, Edison Schools, Inc. incurred the following expenses on behalf of the School.

Expenses:

Direct Expenses:

Salaries and Wages	\$2,589,861
Employee Benefits	589,375
Professional and Technical Services	103,974
Property Services	484,309
Travel	72,751
Communications	11,646
Utilities	134,392
Contracted Craft or Trade Services	234,295
Other Purchased Services	14,754
Books, Periodicals and Films	235,321
Other Supplies	104,787
Other Direct Costs	122,123
Total Expenses	<u><u>\$4,697,588</u></u>

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. JOINTLY GOVERNED ORGANIZATION

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$5,472 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

17. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2006, the School has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School's financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on School's financial statements for fiscal year 2006.

18. COMPLIANCE

The Academy did not comply with requirements regarding submission of forms to demonstrate compliance with program requirements.

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**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	05-PU-05	10.553	\$27,182	\$27,182
	05-PU-06		48,524	24,304
Total School Breakfast Program			<u>75,706</u>	<u>51,486</u>
National School Lunch Program	LL-P4-05	10.555	72,519	72,519
	LL-P4-06		177,092	86,170
Total National School Lunch Program			<u>249,611</u>	<u>158,689</u>
Total United States Department of Agriculture - Nutrition Cluster			325,317	210,175
UNITED STATES DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	C1-S1-05	84.010	432,866	109,046
	C1-S1-06		450,330	493,043
	C1-SK-05		5,236	
	C1-SK-06		5,000	
Total Title I Grants to Local Educational Agencies			<u>893,432</u>	<u>602,089</u>
Special Education Grants to States	6B-SF-05	84.027	153,969	32,802
	6B-SF-06		28,265	194,641
Total Special Education Grants to States			<u>182,234</u>	<u>227,443</u>
Safe and Drug-Free and Communities State Grants	DR-S1-05	84.186	2,000	
	DR-S1-06		17,321	18,907
Total Safe and Drug-Free Schools and Communities State Grants			<u>19,321</u>	<u>18,907</u>
State Grants for Innovative Programs	C2-S1-05	84.298	2,002	
	C2-S1-06		381	3,812
Total State Grants for Innovative Programs			<u>2,383</u>	<u>3,812</u>
Education Technology State Grant	TJ-S1-05	84.318	7,642	449
	TJ-S1-06		7,867	10,329
Total Education Technology State Grant			<u>15,509</u>	<u>10,778</u>
Reading First State Grants	RS-S1-06	84.357	239,599	18,340
Hurricane Education Recovery	HR-01-06	84.938	3,000	1,000
Improving Teacher Quality State Grants	TR-S1-05	84.367	76,683	47,653
	TR-S1-06		61,070	92,994
Total Improving Teacher Quality State Grants			<u>137,753</u>	<u>140,647</u>
Total United States Department of Education			1,493,231	1,023,016
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Montgomery County Education Service Center				
Medical Assistance Program	N/A	93.778	521	521
Total United States Department of Health and Human Services			<u>521</u>	<u>521</u>
Total Federal Assistance			<u>\$1,819,069</u>	<u>\$1,233,712</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the business-type activities of the Dayton View Academy School (the Academy) as of and for the year ended June 30, 2006, which comprise the Academy's basic financial statements and have issued our report thereon dated April 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Academy's management dated April 6, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002. In a separate letter to the Academy's management dated April 6, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 6, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of the Dayton View Academy School (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Dayton View Academy School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2006-003. In a separate letter to the Academy's management dated April 6, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated April 6, 2007.

We intend this report solely for the information and use of the audit committee, management, governing board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 6, 2007

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2006-001

The Academy provided reduced and full priced meals (Breakfast and Lunches) to its students based on the income and household size qualifications as outlined by the USDA. Following rates were established by the Academy for each individual meal served:

	<u>Breakfast</u>	<u>Lunch</u>
Reduced	\$ 0.30	\$ 0.40
Full Price	\$ 1.20	\$ 2.10

During the 2005–2006 school year, the Academy served 2,455 reduced and 1,451 full priced breakfast meals and collected an additional \$29 in adult meals. At the established rates, the Academy should have collected a total of \$2,507 in breakfast receipts. During the same period the Academy served 6,475 reduced and 4,839 full priced lunch meals. Another \$336 was collected for a la carte and adult meals. At the established rates the Academy should have collected \$13,088 in lunch receipts.

Accordingly, the total lunch and breakfast collections for fiscal year 2006 at the Academy should have been \$15,595. Actual lunch and breakfast collections at the Academy amounted to \$10,691. The Academy collected \$4,904 less than it should have based on the number of reduced and full priced breakfasts and lunches served combined with any a la carte and adult sales for fiscal year 2006. Management attributed the variance to the Academy serving meals to reduced and full price students who did not have money to pay for the meals. These students were reported as paid reduced or full priced meals when no money was collected.

The Board should establish formal procedures on serving meals to full price and reduced students who are unable to pay for their meals. This policy should outline the Board's view about serving these students and the procedures to subsequently collect the money from the parents. If the student's family is in financial distress a reevaluation of the status of the student might be conducted to see if the student qualifies for free meals. A count of such students should be maintained separately from students who paid for their meals. Additionally, the Academy should institute procedures to provide that all breakfast and lunch collections are properly collected and deposited in the Academy's bank account. Also, cash receipts for food service should periodically be reviewed by someone independent of the collection process. Due to this being a recurring citation from the previous audit, a repeat of this citation in the next audit may result in a Finding for Recovery.

FINDING NUMBER 2006-002

Finding for Recovery Repaid Under Audit

The Academy rented buses from Buckeye Charters, Ltd. for a trip to Kings Island on June 5, 2006 at a cost of \$2,051. The Academy paid invoice number 4741 for this trip on May 31, 2006 and then paid the same invoice again on June 21, 2006 thus resulting in an overpayment of \$2,051.

In accordance with the foregoing facts, and according to **Ohio Rev. Code Section 117.28**, a finding for recovery for overpayment of public money is hereby issued against Phyllis Bixler, Treasurer, and Buckeye Charters, Ltd., jointly and severally, in the amount of two thousand and fifty one dollars (\$2,051) in favor of the Academy's General Fund. This amount was repaid by Buckeye Charters, Ltd. on September 30, 2006, on school receipt number 200567.

The Academy should institute procedures to provide that all contractors are paid in accordance with the Board approved rates and in the proper amount. Additionally, voucher payments should be periodically reviewed for accuracy by someone independent of the voucher process.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2006-003
CFDA Title and Number	Child Nutrition Cluster, CFDA # 10.553 and 10.555
Federal Award Number / Year	05-PU-05, 05-PU-06, LL-P4-05, LL-P4-06
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

7 CFR Section 210.15(a) requires participating school food authorities to submit forms and reports to the State agency or distributing agency, as appropriate, to demonstrate compliance with program requirements.

In the State of Ohio, participating organizations in Child Nutrition Cluster must file monthly reports on the number of meals/milk served, by type, to claim program funds. For the National School Lunch Program, and the School Breakfast Program, participating organizations must submit final meal/milk claims to the State no later than 60 days after the claiming month. Financial information must also be reported. This financial information is generally reported on the Ohio Department of Education (ODE) prescribed forms used to report meals/milk served.

The following variances were noted between the number of lunch and breakfast meals served per the Site Claim Form that was submitted to ODE and the Meals Counts by Eligibility Report from the PCS system utilized by the Academy to track the number and type of meals served:

The number of paid lunches served per the PCS Report was 329 less than the Site Claim Form submitted to the ODE for the month of August 2005. Similarly for August 2005, the number of paid breakfast meals served per the PCS Report was 326 less than the Site Claim Form submitted to ODE.

For fiscal year 2006, the Academy received \$0.24 for every paid lunch served and \$0.23 for every paid breakfast served. Due to the above noted reporting variance in number of paid meals served during August 2005, the Academy received an extra \$154 in federal receipts from the ODE.

Variances of \$309 and \$102 were also noted between for total receipts per the Site Claim Form submitted to the ODE and the Treasurer's receipts for the months of January and May 2006. Amounts per Treasurer's receipts were less than the reports.

Additionally a variance of \$42,294 was noted between the total all programs inventory cost report amounts reported on the Site Claim Form by the Academy to the ODE and actual food service expenditures by the Academy. Total expenditures reported by the Academy were more than the actual expenditures.

The Academy should implement procedures to verify that accurate meal counts and financial information are submitted to ODE for reimbursement. Failure to do so could result in federal questioned costs and loss of grant from the awarding agency.

**DAYTON VIEW ACADEMY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Variance between cash collected and meals served.	No	Repeated as finding 2006-001
2005-002	7 CFR Sections 210.8(b), 225.9(d), and 225.15(c)(2) - Variance between meals served and meals bought.	Yes	
2005-003	7 CFR 245.6 - Missing Eligibility Applications	Yes	
2005-004	7 CFR 245.6a(a) - Follow-up on inaccurate eligibility determinations.	Yes	
2005-005	7 CFR Section 210.15(a) - Variances between Site Claim Forms and State Report	No	Repeated as finding 2006-003



Mary Taylor, CPA
Auditor of State

DAYTON VIEW ACADEMY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2007**