



Mary Taylor, CPA
Auditor of State

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets As of June 30, 2008 and 2007.....	5
Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2008 and 2007	6
Statement of Cash Flows For the Fiscal Years Ended June 30, 2008 and 2007	7
Notes to the Basic Financial Statements	9
Schedule of Federal Awards Receipts and Expenditures For the Fiscal Year Ended June 30, 2008	19
Schedule of Federal Awards Receipts and Expenditures For the Fiscal Year Ended June 30, 2007	20
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and on Internal Control Over Compliance In Accordance With OMB A-133	23
Schedule of Findings.....	25
Schedule of Prior Audit Findings.....	26

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the basic financial statements of North Dayton School of Discovery, Montgomery County, (the School), as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the contract service fees incurred by the School during fiscal years 2008 and 2007 which totaled \$5,868,817 and \$5,315,269, respectively, as indicated in Note 10. Other auditors audited these amounts and have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included in Note 10, on the report of the other auditors.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of North Dayton School of Discovery, Montgomery County, as of June 30, 2008 and 2007, and the changes in financial position and cash flows, for the years 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 February 23, 2009 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the basic financial statements that collectively comprise the School's basic financial statements. The schedules of federal awards receipts and expenditures present additional information and are required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and are not a required part of the basic financial statements. We subjected the schedules of federal awards receipts and expenditures to the auditing procedures applied in our 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 23, 2009

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
UNAUDITED**

This section of the annual financial report for North Dayton School of Discovery (the "School") provides an overview of the School's financial activities for the fiscal years ended June 30, 2008 and 2007. It should be read in conjunction with the financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows, provide information about the activities of the School as a whole (School-wide financial statements).

School-wide Financial Statements

The School-wide financial statements include all assets and liabilities and results of operations using the accrual basis of accounting, which is similar to the accounting used by most private sector companies.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows, report the governmental activities for the School, which encompass all the School's services, including instruction, support services and food services. State aid (based on student count) and state and federal grants finance most of these activities.

The School has entered into a management agreement with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the management agreement, NHA also provides the facility in which the School operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources.

The table below provides a summary of the School's net assets as of June 30 for the past three fiscal years:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets – Current	\$347,618	\$273,626	\$334,744
Capital Assets	295	43,043	102,661
Total Assets	<u>347,913</u>	<u>316,669</u>	<u>437,405</u>
Liabilities – Current	<u>299,084</u>	<u>223,831</u>	<u>300,563</u>
Net Assets:			
Invested in Capital Assets	295	43,043	102,661
Unrestricted	48,534	49,795	34,181
Total Net Assets	<u>\$ 48,829</u>	<u>\$ 92,838</u>	<u>\$136,842</u>

The unrestricted net assets represent the accumulated results of life to date operations. The results of the current year operations for the School as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
UNAUDITED
(Continued)**

The table below provides a summary of the School's change in net assets for the years ended June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues:			
State Aid	\$4,634,397	\$4,105,576	\$4,301,990
Other State Sources	248,602	205,032	243,447
Local Sources	<u>35,936</u>	<u>51,543</u>	<u>39,156</u>
Total Operating Revenues	4,918,935	4,362,151	4,584,593
Operating Expenses			
Contracted Service Fee	5,868,817	5,315,269	5,336,185
Depreciation Expense	<u>42,748</u>	<u>59,618</u>	<u>59,618</u>
Total Operating Expense	<u>5,911,565</u>	<u>5,374,887</u>	<u>5,395,803</u>
Operating Loss	(992,630)	(1,012,736)	(811,210)
Non-operating Revenues			
Federal and State Grants	948,621	759,228	740,008
Private Sources - National Heritage Academies		<u>209,504</u>	
Total Non operating Revenues	<u>948,621</u>	<u>968,732</u>	<u>740,008</u>
Change in Net Assets	<u>(\$ 44,009)</u>	<u>(\$ 44,004)</u>	<u>(\$ 71,202)</u>

As reported in the Statement of Revenues, Expenses and Changes in Net Assets, the cost of governmental activities was \$5,868,817 for 2008 and \$5,315,269 for 2007. These activities were primarily funded by the School's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. Revenues – Private sources – National Heritage Academies, Inc. represent a contribution granted by NHA for the excess of School expenses over public revenues available.

The School experienced a decrease in net assets of \$44,009 in 2008 and \$44,004 in 2007.

Under the terms of the agreement with NHA, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net assets is the timing of these discretionary expenditures.

General Economic Factors

The School depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the School in fiscal year 2009.

Contacting the School's Financial Management

The financial report is designed to provide users of the report with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008 AND 2007**

	2008	2007
Assets		
Current Assets		
Cash	\$55,364	\$56,626
Intergovernmental Receivable	292,254	217,000
Total Current Assets	347,618	273,626
Non-current Assets		
Capital Assets (Net of accumulated depreciation)	295	43,043
Total Assets	347,913	316,669
Liabilities		
Deferred Revenue	1,031	568
Due to National Heritage Academies, Inc.	298,053	223,263
Total Liabilities	299,084	223,831
Net Assets:		
Invested in Capital Assets	295	43,043
Unrestricted for:		
Board Expenses	48,534	49,795
Total Net Assets	\$48,829	\$92,838

See accompanying notes to basic financial statements.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Foundation Payments	\$4,882,999	\$4,310,608
Food Services	22,315	26,889
Other Revenues	<u>13,621</u>	<u>24,654</u>
Total operating revenues	4,918,935	4,362,151
 Operating Expenses:		
Contracted service fee	5,868,817	5,315,269
Depreciation Expense	<u>42,748</u>	<u>59,618</u>
Total operating expenses	<u>5,911,565</u>	<u>5,374,887</u>
 Operating Loss	(992,630)	(1,012,736)
 Non-Operating Revenue:		
Federal grants	893,560	693,897
State grants	55,061	65,331
Private Sources - National Heritage Academies, Inc.	<u> </u>	<u>209,504</u>
Total Non-operating revenues	948,621	968,732
 Change in Net Assets	(44,009)	(44,004)
 Net Assets - Beginning of Year	<u>92,838</u>	<u>136,842</u>
 Net Assets - End of Year	<u>\$48,829</u>	<u>\$92,838</u>

See accompanying notes to the basic financial statements.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
Cash Flows From Operating Activities:		
Cash received from State of Ohio	\$4,882,999	\$4,120,864
Cash received from food services	22,315	26,889
Cash received from other operating revenue	13,621	24,654
Cash paid on behalf of the Academy for goods and services	<u>(5,794,027)</u>	<u>(5,201,766)</u>
Net cash used in operating activities	(875,092)	(1,029,359)
 Cash Flows From Non-Capital Financing Activities -		
Federal grants received	766,769	822,148
State grants received	107,061	13,331
Support from private sources - National Heritage Academies, Inc.		<u>209,504</u>
Net cash from noncapital financing activities	<u>873,830</u>	<u>1,044,983</u>
 Net Increase (Decrease) in Cash	 (1,262)	 15,624
 Cash at Beginning of Year	 <u>56,626</u>	 <u>41,002</u>
 Cash at End of Year	 <u><u>55,364</u></u>	 <u><u>56,626</u></u>
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
 Operating Loss	 (992,630)	 (1,012,736)
 Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	42,748	59,618
Changes in assets and liabilities -		
Decrease in state governmental receivable		1,059
Increase in Deferred State Revenue		(190,803)
Increase in Due to National Heritage Academies, Inc.	<u>74,790</u>	<u>113,503</u>
 Net Cash Used in Operating Activities	 <u><u>(\$875,092)</u></u>	 <u><u>(\$1,029,359)</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

1. NATURE OF OPERATIONS

North Dayton School of Discovery (the "School") is an Ohio Public School Academy which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under an approved charter received from Lucas County Educational Service Center ("LCESC"), which is responsible for oversight of the School's operations. The charter will automatically renew on a year-to-year basis, unless at least 90 days written notice is given by either the School or LCESC.

The School provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The School was established and is operated as Ohio nonprofit public benefit corporation under Chapter 1702 of the Ohio Revised Code. The School is a community school as defined in Chapter 3314 of the Ohio Revised Code and is part of the State of Ohio's program of public education. Because the School's income is derived from the exercise of an essential governmental function and accrues to the State of Ohio, it is excludible from gross income for federal income tax purposes under Internal Revenue Code Section 115(1). The School is eligible to receive charitable contributions deductible under Internal Revenue Code Section 170(c)(1).

The School's primary source of revenue is provided by the State of Ohio and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July through June for each fiscal year. The Board of Directors of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the management agreement, NHA also provides the facility in which the School operates. The agreement will automatically renew on a year-to-year basis, unless at least 90 days written notice of intent to terminate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources. NHA provides a spending account to the Board of Directors for discretionary expenditures on an annual basis. Revenues – private sources – National Heritage Academies, Inc. represent a contribution granted by NHA for the excess of School expenditures over public revenues available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School conform to accounting principles generally accepted in the United States of America applicable to governmental nonprofit organizations. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As permitted by generally accepted accounting principles, the School has elected to apply only applicable Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989. The School does not apply FASB statements or interpretations issued after November 1989.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

The School reports according to enterprise accounting. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may also be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Highlights

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 School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705. The School does prepare a 5 year projection as required by Ohio Revised Code Section 5705.391.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash

Cash as of June 30, 2008 and 2007 represents bank deposits, which are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk.

F. Capital Assets—As of the end of the fiscal year, the School had invested in capital assets purchased through the Charter School Grant, primarily equipment. Capital assets are substantially provided as part of the management agreement with NHA.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, which include equipment and computers, are reported in statement of net assets financial statement. Capital assets are defined by the School as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost. Equipment and computers are depreciated using the straight-line method over the following useful lives:

Furniture and other equipment	5-20 years
Computers	3-5 years

G. Deferred Revenues

Deferred revenues as of June 30, 2008 and 2007 consist of funds received for services which have not been performed.

H. Due to National Heritage Academies, Inc.

This amount consists of payments due to National Heritage Academies, Inc. for management services rendered in fiscal years 2008 and 2007.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no net assets restricted by enabling legislation.

J. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid ("DPIA") 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.

Certain grants and entitlements are recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is 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 School also participates in various federal and state programs through the Ohio Department of Education. The programs the School participated in during the fiscal periods of 2008 and 2007, of which they were still owed for at June 30, 2008 and 2007, include Title I, Title IIA, Title IID, Title V, and IDEA Part B. Revenue to be received from these programs is recognized as non-operating revenue in the accompanying financial statements.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits by category of risk as defined in GASB Statement Number 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At June 30, 2008 and 2007, the carrying amount of the Schools' deposits and the bank balance was \$55,364 and \$56,626, respectively, which was covered by federal depository insurance.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables (Due From Other Governments) at June 30, 2008 and 2007 consisted of grants and entitlements. All receivables are considered collectible within one year due to the stable condition of State programs, and the fiscal year guarantee of federal funds.

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Depreciable Capital Assets				
Furniture	\$ 776			\$ 776
Equipment	155,048			155,048
Computers	87,299			87,299
Total Depreciable Capital Assets	<u>243,123</u>			<u>243,123</u>
Less Accumulated Depreciation				
Furniture	(636)	(\$ 140)		(776)
Equipment	(132,420)	(22,333)		(154,753)
Computers	(67,024)	(20,275)		(87,299)
Total Accumulated Depreciation	<u>(200,080)</u>	<u>(42,748)</u>		<u>(242,828)</u>
Capital Assets, Net	<u>\$43,043</u>	<u>(\$42,748)</u>	<u>\$0</u>	<u>\$ 295</u>

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Depreciable Capital Assets				
Furniture	\$ 776			\$ 776
Equipment	155,048			155,048
Computers	87,299			87,299
Total Depreciable Capital Assets	<u>243,123</u>			<u>243,123</u>
Less Accumulated Depreciation				
Furniture	(442)	(\$ 194)		(636)
Equipment	(94,820)	(37,600)		(132,420)
Computers	(45,200)	(21,824)		(67,024)
Total Accumulated Depreciation	<u>(140,462)</u>	<u>(59,618)</u>		<u>(200,080)</u>
Capital Assets, Net	<u>\$102,661</u>	<u>(\$59,618)</u>	<u>\$0</u>	<u>\$43,043</u>

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies that cover certain risks of loss have been obtained through Indiana Insurance Company. The School has contracted for the following insurance coverages:

Type of Coverage	June 30, 2008	Deductible	June 30, 2007	Deductible
General Liability				
Each Occurrence	\$1,000,000	\$0	\$1,000,000	\$0
Aggregate	5,000,000	0	3,000,000	0
School Leaders Errors and Omissions				
Each Occurrence	1,000,000		1,000,000	
Aggregate	3,000,000	1,000	1,000,000	5,000
Commercial Umbrella Liability				
Each Occurrence and Aggregate	1,000,000	0	2,000,000	0
Sexual Misconduct and Molestation Liability				
Each Occurrence and Aggregate	1,000,000	0	1,000,000	0
Commercial Property Coverage	25,000	1,000	25,000	1,000
Public Employee Dishonesty Coverage	500,000	500	0	0
Employers Stop Gap Liability Coverage				
Each Occurrence	1,000,000	0	1,000,000	
Aggregate	5,000,000	0	2,000,000	0
Commercial Auto Coverage	1,000,000	0	1,000,000	0

There have been no significant reductions in insurance coverage during fiscal year 2008 and 2007, and claims did not exceed coverage during the past two fiscal years.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System of Ohio

Plan Description – 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 (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

A DB or Combined Plan member with five or more years 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NHA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$216,418, \$191,857, and \$196,754, respectively; 100 percent has been contributed for all years. Contributions to the DC and Combined Plans for fiscal year 2008 and fiscal year 2007 were \$4,099 and \$4,202, respectively, made by the School, and \$19,078 and \$20,226, respectively, made by the plan members.

B. School Employees Retirement System

Plan Description – NHA, on behalf of employees at the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and NHA is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A portion of NHA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2008 and 2007, 9.16 and 10.68 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NHA's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$28,275, \$28,232, and \$30,126, respectively; 100 percent has been contributed for all years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security. Although the employees at the North Dayton School of Discovery are members of either SERS or STRS, NHA has also opted to enroll the employees in the Federal Insurance Corporation of America (Social Security). Each employee's liability is 6.2 percent of wages paid, and NHA's liability is 6.2 percent of total wages paid.

8. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008 and 2007, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

NHA's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$16,963, \$15,081, and \$15,135, respectively; 100 percent has been contributed for all years.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care, compared to 3.32 percent of covered payroll for 2007. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount.

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

NHA's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,903, \$9,373, and \$10,513 respectively; 100 percent has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, 2007, and 2006, this actuarially required allocation was .66, .68, and .78 percent of covered payroll, respectively.

NHA's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,037, \$1,920, and \$2,398 respectively; 100 percent has been contributed for all years.

9. OPERATING LEASE

The School has entered into a sub-lease for classroom facilities with National Heritage Academies, Inc. located at 3901 Turner Road, Dayton, Ohio, 45415. The terms of the lease are for one year commencing on July 1, and ending on June 30. For fiscal year 2008 and 2007, rental amounts for the lease were \$797,440 annually, payable in equal monthly installments of \$66,453 each. In addition, the lease terms required the School to be responsible for all costs associated with the facilities including property taxes and maintenance costs.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

10. CONTRACTED SERVICE FEE

NHA has informed the School that the contracted service fee includes payment for the following:

Direct Expenses:	2008	2007
Salaries, wages, and benefits	\$2,621,131	\$2,337,967
Professional and technical services	264,184	306,419
Property services	967,600	987,995
Travel	49,032	12,014
Utilities	62,256	57,939
Contracted (trade) services	46,409	43,994
Purchased services	76,833	592,564
Books, periodicals and films	159,690	110,447
Food and related supplies	349,967	326,574
Supplies	109,314	131,879
Insurance and property taxes	134,111	138,559
Field trips and student activities	143,488	175,398
Equipment lease and purchases	101,314	92,456
Total Direct Expenses	<u>5,085,329</u>	<u>5,314,205</u>
Unexpended resources at June 30	140,548	-
Total Indirect Expenses (Overhead)	<u>642,940</u>	<u>1,064</u>
Total contracted service fee	<u><u>\$5,868,817</u></u>	<u><u>\$5,315,269</u></u>

11. RELATED PARTIES

The Board of North Dayton School of Science and Discovery serve in the same capacity for Pathway School of Discovery in Dayton, Ohio. National Heritage Academies, Inc. is also Pathway School of Discovery's management company.

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 FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in the State funding being adjusted. The School does not anticipate any material adjustments to State funding for fiscal year 2008, as a result of such a review.

This page intentionally left blank.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education				
Nutrition Cluster:				
School Breakfast Program	071960 (2006-2007)	10.553	\$12,971	\$12,971
	081960 (2007-2008)		63,766	63,766
Total School Breakfast Program			<u>76,737</u>	<u>76,737</u>
National School Lunch Program	071950 (2006-2007)	10.555	30,719	30,719
	081950 (2007-2008)		165,988	165,988
Total National School Lunch Program			<u>196,707</u>	<u>196,707</u>
Total U.S. Department of Agriculture - Nutrition Cluster			273,444	273,444
U.S. DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education				
Title I Grants to Local Educational Agencies	143529-C1S1-2007	84.010	44,139	8,299
	143529-C1S1-2008		249,189	316,712
Total Title I Grants to Local Educational Agencies			<u>293,328</u>	<u>325,011</u>
Special Education Grants to States	143529-6BSF-2007	84.027	27,613	
	143529-6BSF-2008		154,085	154,012
Total Special Education Grants to States			<u>181,698</u>	<u>154,012</u>
State Grants for Innovative Programs	143529-C2S1-2006	84.298	96	
Education Technology State Grants	143529-TJS1-2007	84.318	1,019	
	143529-TJS1-2008		3,410	3,117
Total Education Technology State Grants			<u>4,429</u>	<u>3,117</u>
Improving Teacher Quality State Grants	143529-TRS1-2007	84.367	2,537	
	143529-TRS1-2008		11,237	12,402
Total Improving Teacher Quality State Grants			<u>13,774</u>	<u>12,402</u>
Total U.S. Department of Education			<u>493,325</u>	<u>494,542</u>
Total			<u>\$766,769</u>	<u>\$767,986</u>

The schedule of federal award receipts and expenditures is presented on the cash basis of accounting.

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education				
Nutrition Cluster:				
School Breakfast Program	061960 (2005-2006) 071960 (2006-2007)	10.553	\$25,438 39,174	\$25,438 39,174
Total School Breakfast Program			<u>64,612</u>	<u>64,612</u>
National School Lunch Program	061950 (2005-2006) 071950 (2006-2007)	10.555	59,322 93,471	59,322 93,471
Total National School Lunch Program			<u>152,793</u>	<u>152,793</u>
Total U.S. Department of Agriculture - Nutrition Cluster			217,405	217,405
U.S. DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education				
Title I Grants to Local Educational Agencies	143529-C1S1-2006 143529-C1S1-2007	84.010	102,398 290,100	10,023 325,940
Total Title I Grants to Local Educational Agencies			<u>392,498</u>	<u>335,963</u>
Special Education Grants to States	143529-6BSF-2006 143529-6BSF-2007	84.027	26,096 146,198	835 173,811
Total Special Education Grants to States			<u>172,294</u>	<u>174,646</u>
State Grants for Innovative Programs	143529-C2S1-2006 143529-C2S1-2007	84.298	3,639 1,020	1,363 1,020
Total State Grants for Innovative Programs			<u>4,659</u>	<u>2,383</u>
Education Technology State Grants	143529-TJS1-2006 143529-TJS1-2007	84.318	3,812 5,142	500 6,160
Total Education Technology State Grants			<u>8,954</u>	<u>6,660</u>
Improving Teacher Quality State Grants	143529-TRS1-2006 143529-TRS1-2007	84.367	17,565 8,206	6,242 10,744
Total Improving Teacher Quality State Grants			<u>25,771</u>	<u>16,986</u>
Total U.S. Department of Education			<u>604,176</u>	<u>536,638</u>
Total			<u>\$821,581</u>	<u>\$754,043</u>

The schedule of federal award receipts and expenditures is presented on the cash basis of accounting.



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*

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the basic financial statements of the North Dayton School of Discovery, Montgomery County, (the School), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated February 23, 2009, which indicated that the amounts presented in Note 10 were audited by other auditors. 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 School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School's management in a separate letter dated February 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, Board of Directors, the Community School's sponsor and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 23, 2009



Mary Taylor, CPA

Auditor of State

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

North Dayton School of Discovery
Montgomery County
3901 Turner Road
Dayton, Ohio 45415

To the Board of Directors:

Compliance

We have audited the compliance of the North Dayton School of Discovery, Montgomery County, (the School), 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 years ended June 30, 2008 and 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School'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 School'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 School'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 School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the years ended June 30, 2008 and 2007.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated February 23, 2009.

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



Mary Taylor, CPA
Auditor of State

February 23, 2009

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 - .505
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

1. SUMMARY OF AUDITOR'S RESULTS

		2008	2007
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No	No
(d)(1)(v)	Type of Major Programs - Compliance Opinion	Unqualified	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No	No
(d)(1)(vii)	Major Programs (list):	Title 1 – CFDA# 84.010 Nutrition Cluster CFDA# 10.553/10.555,	Title 1 – CFDA# 84.010 Nutrition Cluster CFDA# 10.553/10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$ 300,000 Type B: all others	Type A > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**NORTH DAYTON SCHOOL OF DISCOVERY
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	CFDA # 84.010, Title 1 - Expenditures were made outside the period of availability.	Yes	
2006-002	CFDA # 10.553/10.555 Nutrition Cluster - Destruction of Records – daily and monthly system generated reports indicating the total number of meals served by category were not retained.	Yes	
2006-003	Lack of internal controls over free and reduced meal applications.	No	Partially corrected; reported in a separate letter to management of the school.



Mary Taylor, CPA
Auditor of State

NORTH DAYTON SCHOOL OF DISCOVERY

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
MARCH 19, 2009**