



Dave Yost • Auditor of State

**DECA PREP
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of DECA Prep, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of DECA Prep, Montgomery County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2015

**DECA PREP
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The management's discussion and analysis of the DECA Prep's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2014 are as follows:

- In total, net position was \$518,749 at June 30, 2014.
- The Academy had operating revenues of \$2,378,914, operating expenses of \$2,747,815, non-operating revenues and contributions and donations of \$547,325, and non-operating expenses of \$3,561 for the fiscal year ended June 30, 2014. Total change in net position for the fiscal year ended June 30, 2014 was an increase of \$174,863.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**DECA PREP
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The table below provides a summary of the Academy's net position at June 30, 2014 and 2013.

| Net Position | | |
|----------------------------------|-------------|-------------|
| | 2014 | 2013 |
| Assets: | | |
| Current assets | \$691,346 | \$480,878 |
| Capital assets, net | 65,733 | 41,500 |
| Total assets | 757,079 | 522,378 |
| Liabilities: | | |
| Current liabilities | 191,418 | 145,446 |
| Non-current liabilities | 46,912 | 33,046 |
| Total liabilities | 238,330 | 178,492 |
| Net Position: | | |
| Net investment in capital assets | 6,203 | (682) |
| Restricted | 91,171 | 105,001 |
| Unrestricted | 421,375 | 239,567 |
| Total net position | \$518,749 | \$343,886 |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position totaled \$518,749.

At year-end, capital assets represented 8.68% of total assets. Capital assets consisted of equipment. Net investment in capital assets at June 30, 2014, was \$6,203. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The table below shows the changes in net position for the fiscal year 2014 and 2013.

| Change in Net Position | | |
|-------------------------------|-------------|-------------|
| | 2014 | 2013 |
| Operating revenues: | | |
| State foundation | \$2,363,298 | \$1,727,903 |
| Classroom materials and fees | 20 | 164 |
| Charges for services | 4,952 | 9,581 |
| Other | 10,644 | 836 |
| Total operating revenues | 2,378,914 | 1,738,484 |
| Operating expenses: | | |
| Personnel services | 2,010,073 | 1,201,297 |
| Purchased services | 506,347 | 629,736 |
| Materials and supplies | 190,952 | 455,409 |
| Other operating expenses | 31,210 | 18,301 |
| Depreciation | 9,233 | 7,324 |
| Total operating expenses | 2,747,815 | 2,312,067 |

(Continued)

**DECA PREP
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

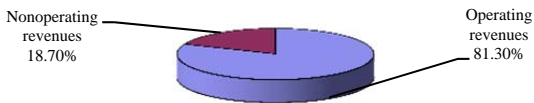
**Change in Net Position
(Continued)**

| | 2014 | 2013 |
|--|------------------|------------------|
| Non-operating revenues/(expenses): | | |
| Intermediate, state and federal grants | 477,097 | 247,526 |
| Interest revenue | 25 | - |
| Donations and contributions | 70,203 | 671,580 |
| Interest and fiscal charges | (2,752) | (1,637) |
| Loss on disposal of capital assets | (809) | |
| Total non-operating revenues/(expenses) | 543,764 | 917,469 |
| | | |
| Change in net position | 174,863 | 343,886 |
| Net position at beginning of year | 343,886 | |
| Net position at end of year | \$518,749 | \$343,886 |

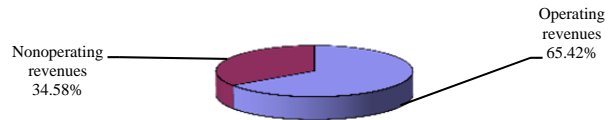
Net position of the Academy increased \$174,863 or 50.85%. Operating revenues increased \$640,430 or 36.84%. The majority of the increase was the result of an increase in State foundation revenue which was primarily due to an increase in students. The Academy began offering 3rd grade classes during fiscal year 2014 as well as a new kindergarten class. Operating expenses increased \$435,748 or 18.85%. This increase is also related to the new offering of 3rd grade classes which led to additional salaries and benefits for new teachers. Intermediate, State and Federal grants increased \$229,571 mainly due to the Academy receiving a Straight A grant. Donations and contributions decreased \$601,377 or 89.55% due to a decrease in start-up funding donated to the Academy.

The graphs below illustrate the revenues and expenses for the Academy during the fiscal year 2014 and 2013.

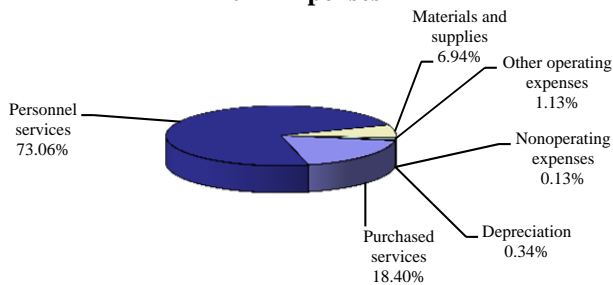
2014 Revenues



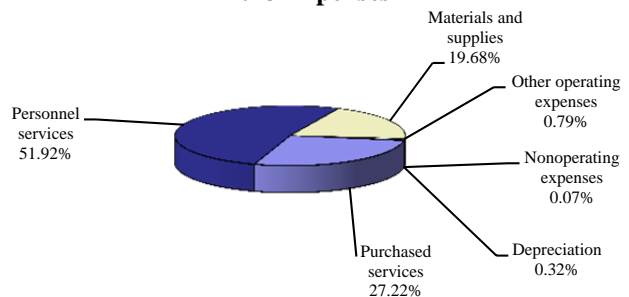
2013 Revenues



2014 Expenses



2013 Expenses



**DECA PREP
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Capital Assets

At June 30, 2014, the Academy had \$65,733 invested in equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2014, the Academy had \$59,530 in capital leases outstanding. Of this total, \$12,618 is due in one year and \$46,912 is due in more than one year. See Notes 5 and 8 to the basic financial statements for more detail on debt.

Current Financial Related Activities

The Academy is sponsored by the Thomas B. Fordham Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Nick Martin, Treasurer, DECA Prep, 200 Homewood Avenue, Dayton, Ohio 45405.

**DECA PREP
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current assets:

Equity in pooled cash and cash equivalents \$602,710

Receivables:

Intergovernmental 66,141

Prepayments 22,495

Total current assets 691,346

Non-current assets:

Depreciable capital assets, net 65,733

Total non-current assets 65,733

Total assets 757,079

Liabilities:

Current liabilities:

Accounts payable 44,947

Accrued wages and benefits 97,166

Pension obligation payable 30,927

Intergovernmental payable 5,760

Capital leases obligation 12,618

Total current liabilities 191,418

Non-current liabilities:

Capital leases obligation 46,912

Total non-current liabilities 46,912

Total liabilities 238,330

Net position:

Net investment in capital assets 6,203

Restricted for:

Restricted for locally funded programs 9,843

Restricted for state programs 67,378

Restricted for federal programs 13,950

Unrestricted 421,375

Total net position \$518,749

See accompanying notes to the basic financial statements.

**DECA PREP
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | |
|---|-------------------------|
| Operating revenues: | |
| State foundation | \$2,363,298 |
| Classroom materials and fees | 20 |
| Charges for services | 4,952 |
| Other | 10,644 |
| Total operating revenues | <u>2,378,914</u> |
| Operating expenses: | |
| Personnel services | 2,010,073 |
| Purchased services | 506,347 |
| Materials and supplies | 190,952 |
| Other operating expenses | 31,210 |
| Depreciation | 9,233 |
| Total operating expenses | <u>2,747,815</u> |
| Operating loss | <u>(368,901)</u> |
| Non-operating revenues (expenses): | |
| Intermediate, state and federal grants | 477,097 |
| Interest revenue | 25 |
| Donations and contributions | 70,203 |
| Interest and fiscal charges | (2,752) |
| Loss on disposal of capital assets | (809) |
| Total non-operating revenues (expenses) | <u>543,764</u> |
| Change in net position | 174,863 |
| Net position at beginning of year | <u>343,886</u> |
| Net position at end of year | <u><u>\$518,749</u></u> |

See accompanying notes to the basic financial statements.

**DECA PREP
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | |
|---|---------------------------|
| Cash flows from operating activities: | |
| Cash received from foundation | \$2,363,606 |
| Cash received from classroom materials and fees | 20 |
| Cash received from charges for services | 4,952 |
| Cash received from other operations | 10,644 |
| Cash payments for personnel services | (1,991,720) |
| Cash payments for purchased services | (488,368) |
| Cash payments to suppliers for goods and supplies | (181,881) |
| Cash payments for other expenses | (36,755) |
| Net cash used in operating activities | <u>(319,502)</u> |
| Cash flows from noncapital financing activities: | |
| Cash received from intermediate, State and federal grants | 470,277 |
| Cash received from donations and contributions | 70,203 |
| Net cash provided by non-capital financing activities | <u>540,480</u> |
| Cash flows from capital and related financing activities: | |
| Interest paid on capital leases | (2,752) |
| Principal paid on capital leases | (9,293) |
| Acquisition of capital assets | (7,634) |
| Net cash used in capital and related financing activities | <u>(19,679)</u> |
| Cash flows from investing activities: | |
| Interest received | 25 |
| Net cash provided by investing activities | <u>25</u> |
| Net increase in cash and cash equivalents | 201,324 |
| Cash and cash equivalents at beginning of year | 401,386 |
| Cash and cash equivalents at end of year | <u><u>602,710</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | (368,901) |
| Adjustments: | |
| Depreciation | 9,233 |
| Changes in assets and liabilities: | |
| Intergovernmental receivable | 7,275 |
| Prepayments | (9,599) |
| Accounts payable | 25,518 |
| Accrued wages and benefits | 16,150 |
| Intergovernmental payable | (2,695) |
| Pension obligation payable | 3,517 |
| Net cash used in operating activities | <u><u>(\$319,502)</u></u> |

Non-cash transactions:

During fiscal year 2014, the Academy received \$57,841 in non-operating grants, which was recognized as a receivable at June 30, 2013. A receivable in the amount of \$64,661 has been recorded for non-operating grants at June 30, 2014.

During fiscal year 2014, the Academy entered into a capital lease agreement for copiers in the amount of \$67,332.

See accompanying notes to the basic financial statements.

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**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE ACADEMY

DECA Prep (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy is a K-6 school in Dayton, Ohio, designed to immerse prospective first generation college students in a personalized, rigorous elementary curriculum to assure they will succeed in high school and college. The Academy was set up as a feeder school for the Dayton Early College Academy, a separate, independent community school. For fiscal year 2014, grades K-3 and 6 were in operation with grades 4 and 5 being added over the next two fiscal years. Fiscal year 2013 represented the first year of operation of the Academy as an independent charter school. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Thomas B. Fordham Foundation (the "Sponsor") for a period of five years commencing July 1, 2012 and ending June 30, 2017. The Sponsor is responsible for evaluating the Academy's performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy operates under a self-appointing eight member Governing Board (the "Board"). The Board is composed of a Chairman, Parent Representative, six Board members. The Academy's Treasurer is a non-voting member of the Board. The Academy's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 29 certified full-time teaching personnel and 7 non-certified employees who provide services to 332 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

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

D. Cash and Investments

All cash the Academy receives is maintained at a central bank. For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool. Non-participating investments contracts are reported at cost.

STAR Ohio is an investment pool the State Treasurer's Office manages, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

During fiscal year 2014, cash the Academy received was maintained in demand deposit accounts.

E. Capital Assets and Depreciation

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

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Operating Revenues and Expenses

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

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Ohio K12 Network grant, Straight A grant, the Ohio Third Grade Guarantee grant, Title VI-B grant, the Federal Title I grant, the Federal Title II-A grant and the Federal Public Charters School Program grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Intermediate, State and Federal grant revenue for the fiscal year 2014 was \$477,097.

H. Prepayments

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

I. Compensated Absences

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

J. Estimates

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

**DECA PREP
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**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

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

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

3. DEPOSITS AND INVESTMENTS

A. Cash on Hand

At fiscal year end, the Academy had \$2,050 in un-deposited cash on hand which is included on the financial statements of the Academy as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all Academy deposits was \$400,636. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$244,601 of the Academy's bank balance of \$494,601 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

C. Investments

As of June 30, 2014, the Academy had the following investments and maturities:

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities 6 months Or Less</u> |
|------------------------|-------------------|---|
| TAR Ohio | \$200,024 | \$200,024 |

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

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

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type the Academy held at June 30, 2014:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$200,024 | 100.00 |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

| | |
|--|-----------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$400,636 |
| Investments | 200,024 |
| Cash on hand | 2,050 |
| Total | \$602,710 |
| <u>Cash and investments per statement of net position</u> | |
| Business-type activities | \$602,710 |

4. RECEIVABLES

Receivables at June 30, 2014 consisted of intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net position follows:

| | |
|----------------------------------|----------|
| Intergovernmental: | |
| Title I | \$6,505 |
| Title II-A | 149 |
| Title VI-B | 1,506 |
| Early Literacy Reading Readiness | 56,501 |
| SERS Reimbursement | 1,480 |
| Total | \$66,141 |

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2014 were as follows:

| | Balance 06/30/13 | Additions | Reductions | Balance 06/30/14 | Due Within One Year |
|--|-----------------------------|------------------|-------------------|-----------------------------|------------------------------------|
| Capital lease obligation payable | \$42,182 | \$67,332 | (\$49,984) | \$59,530 | \$12,618 |
| Total governmental activities long-term liabilities | <u>\$42,182</u> | <u>\$67,332</u> | <u>(\$49,984)</u> | <u>\$59,530</u> | <u>\$12,618</u> |

Capital Lease Obligation: See Note 8 for details.

6. CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2014, follows:

| | Balance 6/30/13 | Additions | Deductions | Balance 6/30/14 |
|---|----------------------------|------------------|-------------------|----------------------------|
| Capital assets, being depreciated: | | | | |
| Equipment | \$48,824 | \$74,966 | (\$48,824) | \$74,966 |
| Total capital assets, being depreciated | <u>48,824</u> | <u>74,966</u> | <u>(48,824)</u> | <u>74,966</u> |
| Less: Accumulated Depreciation: | | | | |
| Equipment | (7,324) | (9,233) | 7,324 | (9,233) |
| Total accumulated depreciation | <u>(7,324)</u> | <u>(9,233)</u> | <u>7,324</u> | <u>(9,233)</u> |
| Net Capital Assets | <u>\$41,500</u> | <u>\$65,733</u> | <u>(\$41,500)</u> | <u>\$65,733</u> |

7. PURCHASED SERVICES

Purchased services include the following:

| | |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 219,424 |
| Property services | 150,413 |
| Travel mileage/meeting expense | 15,177 |
| Communications | 33,766 |
| Utilities | 86,544 |
| Pupil transportation | 955 |
| Other purchased services | <u>68</u> |
| Total purchased services | <u>\$ 506,347</u> |

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. CAPITAL LEASES - LESSEE DISCLOSURE

In the current fiscal year and in a previous fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of \$67,332, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$8,978, leaving a current book value of \$58,354. Principal and interest payments in the 2014 fiscal year totaled \$9,293 and \$2,752, respectively. During fiscal year 2014, the Academy also traded-in a capital lease with a balance of \$40,691.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

| Fiscal Year Ending June 30, | Amount |
|--|----------|
| 2015 | \$15,308 |
| 2016 | 15,308 |
| 2017 | 15,308 |
| 2018 | 15,308 |
| 2019 | 5,103 |
| Total future minimum lease payments | 66,335 |
| Less: amount representing interest | (6,805) |
| Present value of future minimum lease payments | \$59,530 |

9. OPERATING LEASES

The Academy entered into a lease for fiscal year 2013 with Corpus Christi Roman Catholic Church to lease a school building located at 200 Homewood Avenue, Dayton, Ohio and the Corpus Christi recreation center located at 249 Squirrel Road, Dayton, Ohio. The initial terms of the lease were five years commencing July 1, 2012 and ending June 30, 2017. The cost of the lease for fiscal year 2014 was \$104,000 payable in twelve monthly payments. Lease payments for fiscal year 2014 total \$103,989.

The following is a schedule of the future minimum rental payments required under the operating lease as of June 30, 2014:

| Fiscal Year Ending June 30, | Amount |
|-------------------------------------|-----------|
| 2015 | \$117,000 |
| 2016 | 130,000 |
| 2017 | 130,000 |
| Total future minimum lease payments | \$377,000 |

**DECA PREP
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**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Academy contracted with Cincinnati Insurance Company for commercial property, employee liability, theft, electronic data processing and commercial umbrella liability insurance. General liability carries a limit of \$1,000,000 for each occurrence and \$2,000,000 aggregate. Commercial umbrella liability carries a limit of \$3,000,000 for each occurrence. There have been no significant reductions in insurance coverage from the previous year.

B. Workers' Compensation

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

11. OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

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

12. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014 and 2013 were \$39,904 and \$15,582, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014 and 2013 were \$169,610 and \$99,993, respectively; 93.36 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013. Contributions to the DC and Combined Plans for fiscal year 2014 were \$20,259 made by the Academy and \$15,918 made by the plan members.

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014 and 2013 were \$2,511 and \$190, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014 and 2013 were \$2,315 and \$880, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014 and 2013 were \$13,047 and \$7,692, respectively; 93.36 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy owes \$308 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

**DECA PREP
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. SERVICE AGREEMENTS

Thomas B. Fordham Foundation

The Academy entered into a five-year contract effective on July 1, 2012 and continuing through June 30, 2017 with the Thomas B. Fordham Foundation (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

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

The Academy paid the Sponsor a 2.00% sponsorship fee, based on State foundation revenue for fiscal year 2014. During fiscal year 2014, the Academy made \$36,858 in payments to the Sponsor.

16. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

17. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Computer Association - The Academy is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area school districts sharing computer resources. MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium. During fiscal year 2014, the Academy paid \$6,873 to MDECA. To obtain financial information, write to the Metropolitan Dayton Educational Computer Association, Dean Reineke, who serves as Executive Director, 225 Linwood Street, Dayton, Ohio 45405.

18. RELATED PARTIES

The Superintendent and Treasurer of DECA Prep serve in the same capacity for Dayton Early College Academy. Members of the Governing Board for DECA Prep also serve on the board for Dayton Early College Academy. During fiscal year 2014, Dayton Early College Academy served as fiscal agent for the Conner Donation grant and the Straight A grant for DECA Prep. During fiscal year 2014, \$121,057 in grants and expenses were passed through Dayton Early College Academy. These are reflected as intermediate, state and federal grants and various operating expenses in DECA Prep's basic financial statements.



Dave Yost • Auditor of State

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

DECA Prep
Montgomery County
200 Homewood Avenue
Dayton, Ohio 45405

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of DECA Prep, Montgomery County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 10, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2015



Dave Yost • Auditor of State

DECA PREP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**