

**DERRICK THOMAS ACADEMY
KANSAS CITY, MISSOURI**

**FINANCIAL STATEMENTS TOGETHER
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2009

**DERRICK THOMAS ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Derrick Thomas Academy

We have audited the accompanying statement of financial position of Derrick Thomas Academy (a nonprofit organization) as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Derrick Thomas Academy as of June 30, 2009 and the change in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information presented on pages 10 through 20, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and to comply with the requirements of the Missouri Department of Elementary and Secondary Education and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

December 22, 2009

DERRICK THOMAS ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 3,087,012
Accounts receivable, net	1,274,585
Capital assets, net	8,690,235
Deferred financing costs, net	<u>622,908</u>
 Total Assets	 <u>\$ 13,674,740</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 2,300,346
Accrued personnel costs	539,007
Accrued interest	320,331
Note payable	<u>10,615,000</u>
 Total Liabilities	 13,774,684
 Net Assets, unrestricted	 <u>(99,944)</u>
 Total Liabilities and Net Assets	 <u>\$ 13,674,740</u>

See accompanying notes to the financial statements.

**DERRICK THOMAS ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Unrestricted:

SUPPORT AND REVENUE:

Local	\$ 871,547
State	8,770,945
Federal	<u>1,270,736</u>

Total support and revenue	<u>10,913,228</u>
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EXPENSES:

Instruction	6,760,510
Student services	27,235
Instructional staff support	261,552
General administration and central services	964,814
Building administration	246,168
Operation of plant	777,836
Transportation	626,220
Food service	622,092
Debt service:	
Interest and fees	<u>640,663</u>

Total expenses	<u>10,927,090</u>
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Change in Unrestricted Net Assets	(13,862)
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Net assets, beginning of year, restated	<u>(86,082)</u>
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Net assets, end of year	<u>\$ (99,944)</u>
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See accompanying notes to the financial statements.

**DERRICK THOMAS ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (13,862)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	255,299
(Increase) decrease in:	
Accounts receivable, net	(263,033)
Increase (decrease) in:	
Due to management company	98,616
Deferred revenue	(1,169)
Accrued personnel costs	<u>(7,480)</u>
Cash provided by operating activities	<u>68,371</u>
NET INCREASE IN CASH	68,371
CASH AND CASH EQUIVALENTS, beginning	<u>3,018,641</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 3,087,012</u></u>
SUPPLEMENTAL DISCLOSURES:	
Interest paid	<u><u>\$ 640,663</u></u>

See accompanying notes to the financial statements.

DERRICK THOMAS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - BUSINESS ACTIVITY

Derrick Thomas Academy is a stand alone Local Education Agency (LEA) and is a nonprofit corporation that is organized under the laws of the State of Missouri. The Academy was granted LEA status July 1, 2006. Prior to that time the Academy was a charter school that received its share of Federal and state revenue from the Kansas City Missouri School District. Since the Academy is an LEA, Federal and state revenues are paid to it by the Missouri Department of Secondary Education (DESE). The Academy has operated as a charter school since its inception in 1998 and is sponsored by the University of Missouri - Kansas City (UMKC). UMKC's sponsorship expires June 30, 2012.

The Academy's charter provides for the education of students in kindergarten through eighth grade.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: The Academy has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2009, all net assets are considered unrestricted.

Cash and cash equivalents: For the purpose of the statement of cash flows, the Academy considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable: The accounts receivable are due for state and Federal agencies and are considered fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts become uncollectible, they are charged to operations when that determination is made.

Capital Assets: All property and equipment are valued at historical cost. A capitalization threshold of \$1,000 is used to report capital assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings and improvements	20-40 years
Furniture and fixtures	5 years
Technology	3 years
Curriculum	5 years

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sick and Personal Leave: Personal days and sick leave are considered as expenditures in the year paid. Employees are allowed 8 sick days and 2 personal days. Personal days and sick days are non-cumulative.

Income Taxes: The Academy is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

DERRICK THOMAS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE C - CASH AND CASH EQUIVALENTS

State statutes require that the Academy's deposits be collateralized. At June 30, 2009, the bank balances of the Academy's deposits totaled \$1,040,254. Of this amount \$274,112 was covered by FDIC insurance and \$766,142 was uninsured and uncollateralized.

Escrow Funds: Under the loan and trust agreement dated January 1, 2007, discussed at Note I, certain funds are being held by the trustee for debt service, debt service reserve, and repairs and replacements. The balance of the escrow accounts at June 30, 2009 was \$2,046,758.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consist of the following:

State - Basic Formula	\$ 727,753
Federal Programs	<u>546,832</u>
	<u>\$ 1,274,585</u>

NOTE E - INSURANCE

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy maintains commercial insurance to protect itself from such risks.

NOTE F - DEFERRED FINANCING COSTS

Deferred financing costs are summarized as follows:

Bond issuance costs	\$ 679,536
Less: accumulated amortization	<u>(56,628)</u>
Deferred financing costs, net	<u>\$ 622,908</u>

These costs are being amortized on a straight-line basis over 30 years, the latest maturity date of the bonds.

NOTE G - RETIREMENT PLAN

The Academy contributes to The Public School Retirement System of the School District of Kansas City, Missouri a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Kansas City, Missouri Public School District, the Kansas City Public Library, and the Public School Retirement System. The Retirement System provides service and disability retirement benefits to full-time employees and optional benefits to members' beneficiaries. Positions covered by The Retirement System are also covered by Social Security.

**DERRICK THOMAS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE G - RETIREMENT PLAN (continued)

A twelve member Board of Trustees administers the Retirement System. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of the School District of Kansas City, Missouri, 324 E. 11th St., Kansas City, Missouri, 64106, or by calling 1-816-472-5800.

The Retirement System members are required to contribute 7.5% of their annual covered salary and the Academy is required to contribute a matching amount. The contribution requirements of members and the Academy are established, and may be amended, by the Board of Trustees. The Academy's contributions to the system for the year ended June 30, 2009 were \$260,179, equal to the required contributions.

NOTE H - DUE TO MANAGEMENT COMPANY

The Academy has entered into a seven-year agreement for the period January 2007 - June 2014 with Edison Schools, Inc. (Edison). Edison agrees to operate and manage the Academy in accordance with applicable federal, state, and local laws. In return, the Academy agrees to pay Edison a fixed fee, as disclosed in the management agreement, plus a variable fee equal to the amount that the total revenue received by the Academy in respect to a particular school year exceeds the respective amount disclosed in the management agreement. In addition the Academy agrees to reimburse Edison for all expenses they incur on the Academy's behalf.

The amount due under the contract as of June 30, 2009 was \$2,058,202 and is included in accounts payable in the financial statements.

The future minimum payments required under the management agreement are as follows:

Year Ending June 30,	Amount
2010	\$ 2,345,628
2011	2,384,649
2012	2,458,388
2013	2,530,867
2014	<u>2,605,520</u>
Total	<u>\$ 12,325,052</u>

**DERRICK THOMAS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE I - NOTE PAYABLE

The Industrial Development Authority of the City of Kansas City, Missouri issued \$10,615,000 in Industrial Development Refunding Revenue Bonds (Derrick Thomas Academy Project) Series 2007A and Series 2007B. The proceeds of the bonds were used to repay certain obligations previously entered into by the school with respect to the acquisition and renovation of the school facility, the acquisition and construction of certain improvements to the facility, the purchase of certain equipment for the facility, to fund a debt service reserve, and to pay certain costs related to the issuance of such bonds. On January 1, 2007 the Academy entered into a loan agreement with the Industrial Development Authority of the City of Kansas City, Missouri in the amount of \$10,615,000. Interest payments are due semi-annually at various interest rates ranging from 5.875% to 9.00% with principal payments starting in 2010. The note is secured by pledged revenues, a Deed of Trust, and assignment of rents and security interest. The balance on the note payable at June 30, 2009 is \$10,615,000.

Future maturities are as follows:

Year ending June 30,	Principal
2010	\$ 120,000
2011	130,000
2012	140,000
2013	155,000
2014	185,000
Thereafter	9,885,000
	\$ 10,615,000

There are various covenants mentioned in the loan agreement related to the note above. As of June 30, 2009 the Academy was in non-compliance with some of the covenants. The covenant requires that a copy of the annual audit be provided by the Academy no later than 150 days after year end. The covenant also requires that various financial information be submitted on a quarterly basis. The financial information that is required by the covenant was submitted, but not timely.

**DERRICK THOMAS ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE J - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Reclassifications/ Retirements	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 3,053,596	\$ -	\$ -	\$ 3,053,596
Capital assets, being depreciated:				
Building and improvements	6,668,797	-	-	6,668,797
Furniture and fixtures	347,488	-	-	347,488
Technology	499,485	-	-	499,485
Curriculum	553,774	-	-	553,774
Total capital assets, being depreciated	<u>8,069,544</u>	<u>-</u>	<u>-</u>	<u>8,069,544</u>
Less accumulated depreciation	<u>(2,200,255)</u>	<u>(232,650)</u>	<u>-</u>	<u>(2,432,905)</u>
Total capital assets being depreciated, net	<u>5,869,289</u>	<u>(232,650)</u>	<u>-</u>	<u>5,636,639</u>
Total capital assets, net	<u>\$ 8,922,885</u>	<u>\$ (232,650)</u>	<u>\$ -</u>	<u>\$ 8,690,235</u>

Depreciation expense was charged to activities as follows:

Instruction	\$ 22,699
Instructional staff support	21,100
Operation of plant	<u>188,851</u>
Total	<u>\$ 232,650</u>

NOTE K - PRIOR PERIOD ADJUSTMENTS

Unrestricted net assets at June 30, 2008 have been restated to correct the amount of Federal funds that were owed to the Federal government. This correction has no effect on the results of the current year's activities; however, the cumulative effect of the correction decreases beginning unrestricted net assets by \$278,610. Previously issued financial statements have not been restated to correct this error.

SUPPLEMENTARY INFORMATION

DERRICK THOMAS ACADEMY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 971,756	\$ -	\$ 2,115,256	\$ 3,087,012
Accounts receivable, net	<u>1,274,585</u>	<u>-</u>	<u>-</u>	<u>1,274,585</u>
Total assets	<u>\$ 2,246,341</u>	<u>\$ -</u>	<u>\$ 2,115,256</u>	<u>\$ 4,361,597</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,300,346	\$ -	\$ -	\$ 2,300,346
Accrued personnel costs	<u>539,007</u>	<u>-</u>	<u>-</u>	<u>539,007</u>
Total liabilities	<u>2,839,353</u>	<u>-</u>	<u>-</u>	<u>2,839,353</u>
Fund Balances:				
Unreserved	(593,012)	-	-	(593,012)
Reserved for debt service	-	-	1,109,601	1,109,601
Reserved for capital outlay	<u>-</u>	<u>-</u>	<u>1,005,655</u>	<u>1,005,655</u>
Total fund balances	<u>(593,012)</u>	<u>-</u>	<u>2,115,256</u>	<u>1,522,244</u>
Total liabilities and fund balances	<u>\$ 2,246,341</u>	<u>\$ -</u>	<u>\$ 2,115,256</u>	<u>\$ 4,361,597</u>

DERRICK THOMAS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

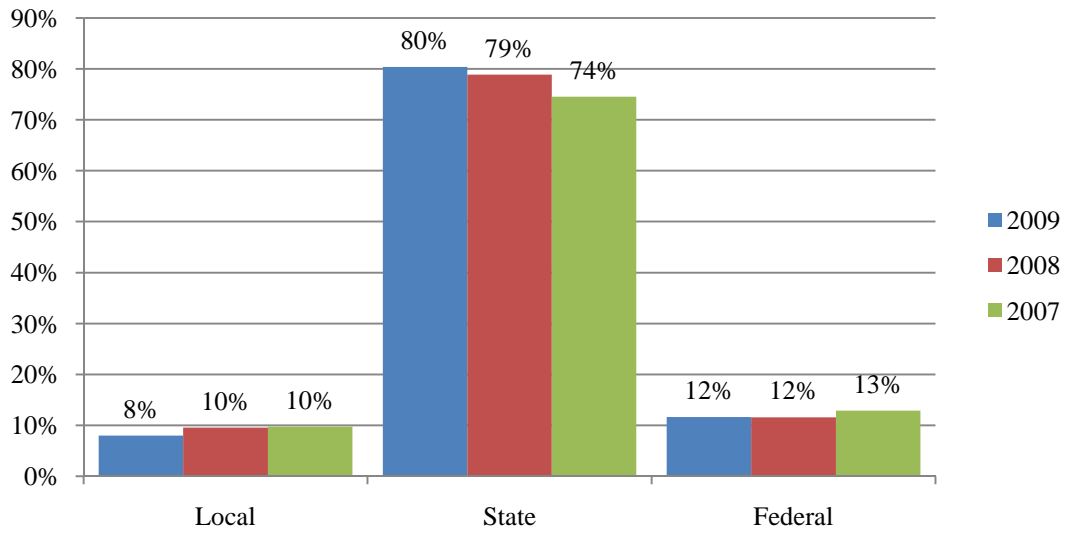
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
REVENUES:				
Local	\$ 553,952	\$ 317,595	\$ -	\$ 871,547
State	5,378,445	3,392,500	-	8,770,945
Federal	<u>1,121,062</u>	<u>149,674</u>	<u>-</u>	<u>1,270,736</u>
Total Revenues	<u>7,053,459</u>	<u>3,859,769</u>	<u>-</u>	<u>10,913,228</u>
EXPENDITURES:				
Instruction	3,122,915	3,613,601	1,295	6,737,811
Student services	27,235	-	-	27,235
Instructional staff support	240,452	-	-	240,452
General administration and central services	964,814	-	-	964,814
Building administration	-	246,168	-	246,168
Operation of plant	566,335	-	-	566,335
Transportation	626,220	-	-	626,220
Food service	622,092	-	-	622,092
Debt service:				
Interest and fees	<u>-</u>	<u>-</u>	<u>640,663</u>	<u>640,663</u>
Total Expenditures	<u>6,170,063</u>	<u>3,859,769</u>	<u>641,958</u>	<u>10,671,790</u>
Revenues Over (Under) Expenditures	883,396	-	(641,958)	241,438
Other Financing Sources (Uses):				
Transfers	<u>(1,096,327)</u>	<u>-</u>	<u>1,096,327</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(212,931)	-	454,369	241,438
Fund balance, beginning, restated	<u>(380,081)</u>	<u>-</u>	<u>1,660,887</u>	<u>1,280,806</u>
Fund balance, ending	<u>\$ (593,012)</u>	<u>\$ -</u>	<u>\$ 2,115,256</u>	<u>\$ 1,522,244</u>

**DERRICK THOMAS ACADEMY
SCHEDULE OF REVENUES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Sales tax	\$ 529,324	\$ 317,595	\$ -	\$ 846,919
Earnings on investments	10,241	-	-	10,241
Food service	6,387	-	-	6,387
Contributions	8,000	-	-	8,000
Total Local	<u>553,952</u>	<u>317,595</u>	<u>-</u>	<u>871,547</u>
STATE:				
Basic formula	4,858,641	3,392,500	-	8,251,141
Transportation aid	183,753	-	-	183,753
Food service	6,175	-	-	6,175
Basic formula - classroom trust fund	329,876	-	-	329,876
Total State	<u>5,378,445</u>	<u>3,392,500</u>	<u>-</u>	<u>8,770,945</u>
FEDERAL:				
Food service	529,726	-	-	529,726
Title I	546,300	-	-	546,300
Title II A	29,516	-	-	29,516
Title V	520	-	-	520
Individuals with Disabilities	-	149,674	-	149,674
Other Federal	15,000	-	-	15,000
Total Federal	<u>1,121,062</u>	<u>149,674</u>	<u>-</u>	<u>1,270,736</u>
Total Revenues Collected	<u>\$ 7,053,459</u>	<u>\$ 3,859,769</u>	<u>\$ -</u>	<u>\$ 10,913,228</u>

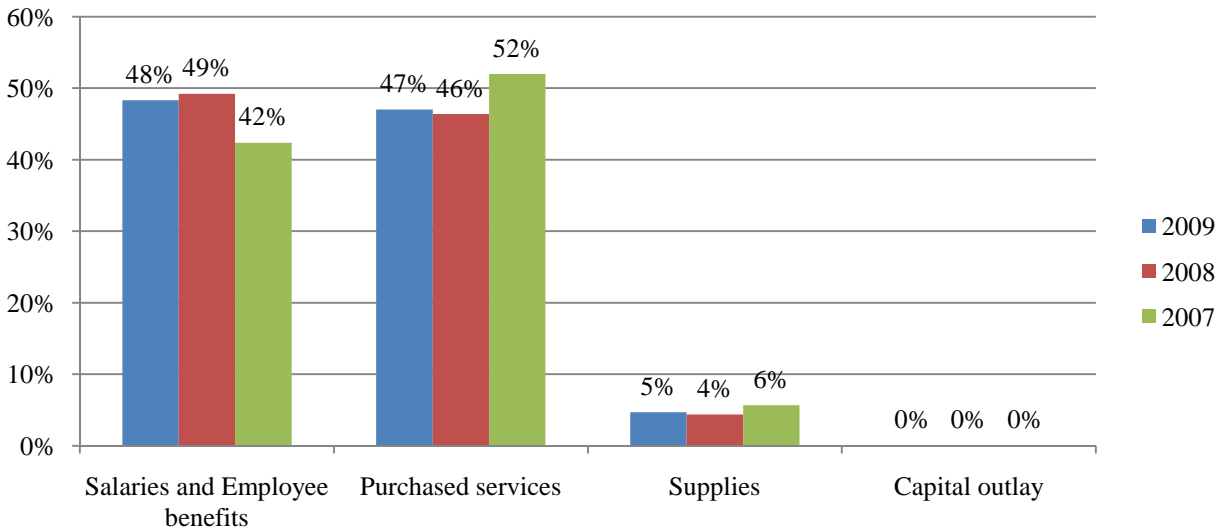
**DERRICK THOMAS ACADEMY
COMPARISON OF REVENUES BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Local	\$ 871,547	\$ 949,660	\$ 965,852
State	8,770,945	7,827,457	7,396,273
Federal	<u>1,270,736</u>	<u>1,151,196</u>	<u>1,282,889</u>
Total	<u>\$ 10,913,228</u>	<u>\$ 9,928,313</u>	<u>\$ 9,645,014</u>



**DERRICK THOMAS ACADEMY
SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2009 TOTALS	2008 TOTALS	2007 TOTALS
Salaries	\$ 793,324	\$ 2,961,829	\$ -	\$ 3,755,153	\$ 3,641,181	\$ 2,842,969
Employee benefits	190,519	897,940	-	1,088,459	1,130,803	851,297
Purchased services	4,715,389	-	-	4,715,389	4,497,823	4,531,750
Supplies	470,831	-	-	470,831	422,152	493,225
Capital outlay	-	-	1,295	1,295	4,752	757,828
Interest and fees	-	-	640,663	640,663	640,662	8,627,857
	<u>\$ 6,170,063</u>	<u>\$ 3,859,769</u>	<u>\$ 641,958</u>	<u>\$ 10,671,790</u>	<u>\$ 10,337,373</u>	<u>\$ 18,104,926</u>

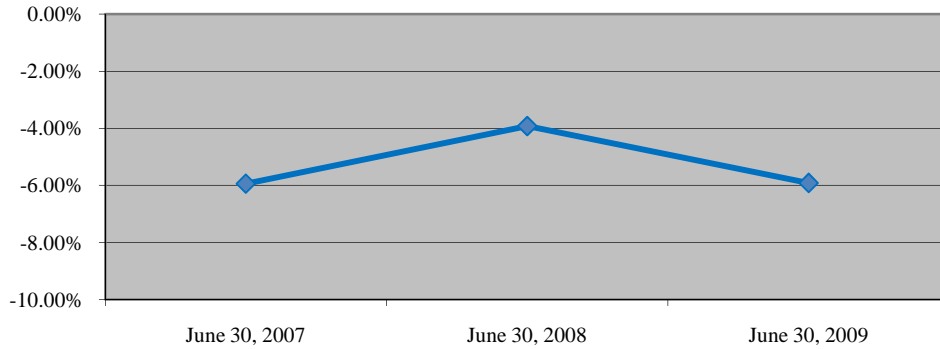


Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

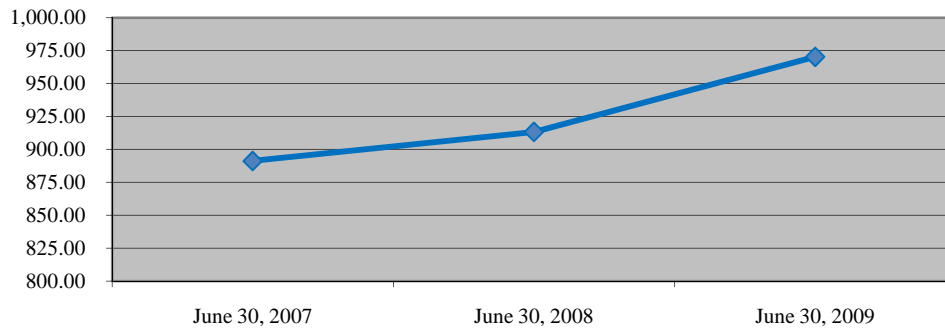
**DERRICK THOMAS ACADEMY
SELECTED TRENDS**

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Total Fund Balances - Funds 1 and 2	\$ (517,722)	\$ (380,081)	\$ (593,012)
Total Expenditures - Funds 1 and 2	<u>8,719,243</u>	<u>9,696,710</u>	<u>10,029,832</u>
Reserve ratio	-5.94%	-3.92%	-5.91%
Average daily attendance	891.19	913.26	970.14

Reserve ratio



Average daily attendance



**DERRICK THOMAS ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

Type of audit performed: Yellow Book _____ Single Audit X

1. CALENDAR

- A. The number of hours classes were in session and pupils were under the direction of teachers during this school year was as follows:

Grades K-8	1,065.80
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- B. The number of days classes were in session and pupils were under the direction of teachers during this school year was 176 days.

2. AVERAGE DAILY ATTENDANCE (ADA)

Grades K-8	793.98
Remedial hours	119.47
Summer School	<u>56.69</u>
Total Average Daily Attendance	<u><u>970.14</u></u>

3. SEPTEMBER MEMBERSHIP

September Membership FTE Count	952.00
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4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total			
	Free		690.00
	Reduced		83.00

5. FINANCE

- A. A bond or insurance policy as required by Section 162.401, RSMo. has been purchased for the School's treasurer. True
- B. The Academy's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. False
- C. The Academy maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. N/A
- D. The Academy did not issue any general obligation refunding bonds in the current year.
- E. The Academy does not have any current or prior year crossover refunding bonds.
- F. The Academy is not required to have a school improvement plan.
- G. The Academy is not required to participate in professional development activities.

**DERRICK THOMAS ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

5. **FINANCE** (continued)

- | | | |
|----|---|------|
| H | The Academy did not use state funded grant monies to supplant existing salaries. | True |
| I. | Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records. | True |
| J. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | N/A |
| K. | The Academy took action prior to October 31 to cause the 2008-09 audit to be performed | True |
| L. | The Academy published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. | True |

6. **TRANSPORTATION** (Section 163.161, RSMo.)

- | | | |
|----|--|---------|
| A. | The Academy's transportation allowable cost substantially conforms to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. | True |
| B. | The Academy's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported. | True |
| C. | Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was: | |
| | Eligible ADT | 620.50 |
| | Ineligible ADT | 0.00 |
| D. | The Academy's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible miles for the year. | True |
| E. | Actual odometer records, the total district-operated <u>and</u> contracted mileage for the year was: | 140,978 |
| | Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was: | |
| | Eligible miles | 125,884 |
| | Ineligible miles (non-route/disapproved) | 15,094 |
| F. | Number of days the Academy operated the school transportation system during this school year. | 176 |

**DERRICK THOMAS ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

7. MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP)

- A. The Academy has adequate procedures that allow for the proper recording and reporting of hours of absence. N/A

- B. The Academy has adequate procedures that allow for the identification and recording of dropouts as defined in the Core Data Manual (Exhibit 6) and the subsequent reporting of those students to the Adult Literacy Hotline and on the June Cycle of Core Data. N/A

- C. The Academy has a set of adequate procedures for following up on the College and Vocational Placement of all the previous years' graduates 180 days after graduation. N/A

- D. The Academy has a set of procedures that ensures Advanced Courses and Vocational Courses (approved by the state) are properly identified and reported according to Core Data standards. N/A

**DERRICK THOMAS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Passed-through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	048-917	\$ 198,800
National School Lunch Program	10.555	048-917	<u>324,526</u>
Total Child Nutrition Cluster			<u>523,326</u>
<u>U.S. Department of Education</u>			
Passed-through Missouri Department of Elementary and Secondary Education:			
Title I	84.010A	048-917	546,300
IDEA	84.027A	048-917	151,285
Title II.A	84.367A	048-917	29,516
Title V	84.298A	048-917	520
<u>U.S. Department of Health & Human Services</u>			
Passed-through Missouri Department of Elementary and Secondary Education:			
School Age Community Grant	93.575	048-917	<u>15,000</u>
			<u>\$ 1,265,947</u>

Notes to schedule:

1. This schedule was prepared in conformity with the accrual basis of accounting. This method is consistent with the preparation of the Academy's financial statements.
2. The Academy did not have any non-cash awards during the fiscal year.

INTERNAL CONTROL AND COMPLIANCE

**REPORT ON THE ADMINISTRATION'S ASSERTIONS
ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

To the Governing Board
Derrick Thomas Academy

We have audited the administration's assertions, included in its representation letter dated December 22, 2009 that Derrick Thomas Academy complied with the requirements of Missouri Laws and Regulations regarding the operation of a charter school; accurate disclosure by the Academy's attendance records of average daily attendance, resident membership on the last Wednesday of September, 2008 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2009; and accurate disclosure by the Academy's pupil transportation records of the average students scheduled to be transported eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2009. As discussed in that representation letter, the administration is responsible for the Academy's compliance with those requirements. Our responsibility is to express an opinion on the administration's assertions about the Academy's compliance based on our audit.

Our audit was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining evidence supporting compliance with the specified laws and regulations, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the Academy's compliance with specified requirements.

In our opinion, administration's assertions that the Academy complied with the aforementioned requirements for the year ended June 30, 2009, are fairly stated in all material respects.

We noted immaterial instances of noncompliance with the aforementioned requirements that we have reported to the administration of the Academy in the accompanying Schedule of State Findings.

This report is intended solely for the information and use of the Governing Board, administration, University of Missouri - Kansas City and the Missouri Department of Elementary and Secondary Education. It is not intended to be and should not be used by anyone other than these specified parties.

December 22, 2009

**DERRICK THOMAS ACADEMY
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

TRANSPORTATION

During the audit, we noted errors in the ridership lists and the calculation of the number of students that rode the bus. We also noted the Academy did not have detailed student ridership lists as support for the eligible average daily pupils transported. State regulations require that accurate ridership counts for October and February be reported on the Application for State Transportation Aid. We recommend that the Academy review its procedures and communicate to the bus contractor to ensure accurate and detailed reporting in the future.

During our audit we noted the bus company estimates the number of eligible miles by taking the actual readings for one day during the month and multiplying them by the number of days the students are transported during that month. Although this method provides materially correct information, state transportation regulations require that schools report actual route miles for the year. This requires a school to document odometer readings at the beginning and end of the year for all buses. The difference between these numbers would be the total miles driven by a bus during the year. The total of all miles on all buses, less non-route miles consisting of activity, maintenance and other non-route miles, may be used as actual transportation route miles for the year. We recommend that the Academy revise its procedures for tracking and reporting of route and non-route miles to comply with DESE reporting requirements.

As a result of our audit the Application for State Transportation Aid has been corrected.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Governing Board
Derrick Thomas Academy

We have audited the financial statements of Derrick Thomas Academy as of and for the year ended June 30, 2009 and have issued our report thereon dated December 22, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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 Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted other matters involving internal control and compliance that we have reported to the administration of the Academy in a separate letter dated December 22, 2009.

This report is intended solely for the information and use of the Governing Board, administration, University of Missouri - Kansas City, and the Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

December 22, 2009

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

To the Governing Board
Derrick Thomas Academy

Compliance

We have audited the compliance of Derrick Thomas Academy with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Academy's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's administration. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The administration of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on 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 Academy's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Academy's internal control.

Our consideration of the 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.

This report is intended solely for the information and use of the Governing Board, administration, federal awarding agencies, pass-through entities, University of Missouri - Kansas City and the Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than those specified parties.

December 22, 2009

**DERRICK THOMAS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Academy.
2. There was one significant deficiency during the audit of the financial statements, which is a material weakness.
3. No instances of noncompliance material to the financial statements of the Academy were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Academy expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Academy.
7. The programs tested as major programs were:

Child Nutrition Cluster	CFDA No. 10.553 & 10.555
Title I	CFDA No. 84.010A
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Academy was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

09-01 FINANCIAL ACCOUNTING AND REPORTING

Statement on Auditing Standards 112, which is effective for audits of periods ending on or after December 15, 2006, require auditors to communicate control deficiencies whereby material misstatements will not be prevented or detected by the Academy's internal control.

Under SAS 112, the auditor cannot be part of the Academy's internal control, nor can any audit procedure be considered a compensating control. In prior years, material misstatements have often been identified by auditors during the audit process, and the resulting adjustments were then accepted and posted by the auditee. The auditors then rendered an opinion on the materially correct financial statements.

The new audit regulations require that material misstatements in the financial statements for the period under audit should be identified by the Academy's internal control and not by the auditor. Therefore, the Academy will need to have management and accounting employees with expertise in financial accounting and reporting. These employees should possess qualifications and training to be able to prepare materially correct financial statements and disclosures in conformity with the comprehensive basis of accounting used by the Academy. If financial statements are

**DERRICK THOMAS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

prepared by the auditors or other outside source, then the Academy must be able to detect any omission of material disclosure or material misstatement of account.

Condition: The Academy does not have the expertise in financial accounting and reporting as required under SAS 112.

Criteria: Internal controls should be designed to prevent, detect and correct misstatements in financial accounting and reporting.

Effect: Lack of controls could allow misstatements in the financial statements to occur and go undetected.

Recommendation: In order to remove this material weakness in the Academy's internal control, the Academy would need to hire an accounting firm independent of the auditing process; however, costs would exceed benefits. The Academy would incur costs for the accounting firm which would need to perform additional procedures in order to prepare materially correct financial statements and disclosures. The only benefit of this action would be to remove this comment from the report as the independent audit process will ultimately result in materially correct financial statements.

Response: We do not believe it is cost beneficial to hire additional personnel or out source this work in order to mitigate this condition. Further, we see no benefit of this action other than the removal of this comment from this report.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
None

**DERRICK THOMAS ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

08-01 - Corrected this fiscal year.

08-02 - Corrected this fiscal year.

08-03 - Corrected this fiscal year.

08-04 - Corrected this fiscal year.

08-05 - Corrected this fiscal year.

08-06 - Corrected this fiscal year.

08-07 - Corrected this fiscal year.

08-08 - Corrected this fiscal year.