DAYTON LEADERSHIP ACADEMIES - DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Dave Yost · Auditor of State

DAYTON LEADERSHIP ACADEMIES – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton-Liberty Road
Dayton, Ohio 45417

To the Governing Board:

We have audited the accompanying basic financial statements of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, Ohio, as of June 30, 2012, and the change in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

March 18, 2013

The discussion and analysis of the Dayton Leadership Academies-Dayton Liberty Campus's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net assets decreased $22,762 from fiscal year 2011.
- State Foundation decreased $977,193, from fiscal year 2011 due to decreased enrollment.
- Expenses decreased to coincide with revenue cuts.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and the change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the School's net assets for fiscal year 2012 and fiscal year 2011:

(Table 1)
Net Assets

	2012	2011	Change
Assets:			
Current Assets	$1,164,239	$1,356,452	($192,213)
Depreciable Capital Assets, Net	223,296	237,252	(13,956)
Total Assets	1,387,535	1,593,704	(206,169)
Liabilities:			
Current Liabilities	617,257	800,664	(183,407)
Net Assets:			
Invested in Capital Assets	223,296	237,252	(13,956)
Unrestricted	546,982	555,788	(8,806)
Total Net Assets	$ 770,278	$ 793,040	($ 22,762)

Total assets decreased $206,169, mainly due to a decrease in intergovernmental receivables. Current liabilities also decreased due to the federal and state grants receivable because that amount is also shown as a payable to Edison. Net Assets decreased slightly by $22,762, or 2.9%.

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011.

(Table 2)
Change in Net Assets

	2012	2011	Change
Operating Revenues:			
Sales	$ 4,863	$ 6,087	($ 1,224)
State Foundation	2,426,145	3,403,338	(977,193)
Miscellaneous	4,742	7,191	(2,449)
Total Operating Revenues	2,435,750	3,416,616	(980,866)
Non-Operating Revenues:			
Federal and State Grants	854,595	1,826,340	(971,745)
Gifts and Donations	4,000	235	3,765
Interest		304	(304)
Total Non-Operating Revenues	858,595	1,826,879	(968,284)
Total Revenues	3,294,345	5,243,495	(1,949,150)
Operating Expenses:			
Salaries	216,949		216,949
Fringe Benefits	52,204		52,204
Purchased Services	2,390,849	4,485,162	(2,094,313)
Rent	617,380	656,683	(39,303)
Materials and Supplies	537	20,780	(20,243)
Depreciation	13,956	13,956	
Other Expenses	25,232	18,073	7,159
Total Expenses	3,317,107	5,194,654	($1,877,547)
Change in Net Assets	(22,762)	48,841	
Net Assets at Beginning of Year	793,040	744,199	
Net Assets at End of Year	$ 770,278	$ 793,040	

There was a decrease in revenues of $1,949,150 and a decrease in expenses of $1,877,547 from fiscal year 2011. Community schools receive no support from tax revenues and rely on funding through the state foundation program and federal grants. Revenues decreased due to decreased enrollment and reduced grant funding. The decrease in expenses was the result of lower payments to Edison as staffing levels decreased to coincide with the decrease in revenues.

Capital Assets

At the end of fiscal year 2012 the School had $223,296, invested in buildings. This represented a decrease of $13,956 from fiscal year 2011, which was due to the depreciation expense for fiscal year 2012. For more information on capital assets see Note 5 to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Tammy Emrick, Treasurer at Dayton Leadership Academies-Dayton Liberty Campus, 4401 Dayton-Liberty Road, Dayton, Ohio 45417, or e-mail at temrickcpa@gmail.com.

DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current Assets:	
Equity in Pooled Cash	$792,355
Intergovernmental Receivables	371,884
Total Current Assets	1,164,239
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	223,296
Total Assets	1,387,535
Liabilities:	
Current Liabilities:	
Accounts Payable	219,226
Intergovernmental Payable	46,147
Accrued Wages and Benefits	135,069
Edison Payable	216,815
Total Liabilities	617,257
Net Assets:	
Invested in Capital Assets	223,296
Unrestricted	546,982
Total Net Assets	$770,278

See accompanying notes to the basic financial statements.

DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Sales	$4,863
State Foundation	2,426,145
Miscellaneous	4,742
Total Operating Revenues	2,435,750
Operating Expenses:	
Salaries	216,949
Fringe Benefits	52,204
Purchased Services	2,390,849
Rent	617,380
Materials and Supplies	537
Depreciation	13,956
Other Expenses	25,232
Total Operating Expenses	3,317,107
Operating Loss	(881,357)
Non-Operating Revenues:	
Federal and State Grants	854,595
Gifts and Donations	4,000
Total Non-Operating Revenues	858,595
Change in Net Assets	(22,762)
Net Assets at Beginning of Year	793,040
Net Assets at End of Year	$770,278

See accompanying notes to the basic financial statements.

DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Sales	$4,863
Cash Received from State of Ohio	2,426,145
Cash Received from Miscellaneous Sources	4,742
Cash Payments for Salaries	(172,022)
Cash Payments for Fringe Benefits	(240,182)
Cash Payments to Suppliers for Goods and Services	(3,048,585)
Cash Payments to Others	(25,769)
Net Cash Used for Operating Activities	(1,050,808)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	1,028,353
Gifts and Donations	4,000
Net Cash Provided by Non-capital Financing Activities	1,032,353
Net Decrease in Equity in Pooled Cash	(18,455)
Equity in Pooled Cash at Beginning of Year	810,810
Equity in Pooled Cash at End of Year	$792,355
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($881,357)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,956
Changes in Assets and Liabilities:	
Increase in Accrued Wages & Benefits	135,069
Increase in Accounts Payable	213,046
Increase in Intergovernmental Payable	17,110
Decrease in Edison Payable	(548,632)
Total Adjustments	(169,451)
Net Cash Used for Operating Activities	($1,050,808)

Noncash:
The School had outstanding intergovernmental receivables related to non-operating grants of $371,884 at June 30, 2012.

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community School, Inc. “Doing Business As” Dayton Leadership Academies-Dayton Liberty Campus (the “School”), formally known as Dayton Academy School, is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational literary, scientific, and related teaching service. Specifically, the School’s purpose is to be a charter school serving children from kindergarten through grade eight. The School, which is part of the state’s education program, is to operate or arrange for the operation of schools in the Dayton, Ohio area. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. On July 8, 2009 the School officially changed its name from Dayton Academy School to Dayton Leadership Academies-Dayton Liberty Campus.

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

The creation of the School was initially proposed to the Ohio State Board of Education, the sponsor, by the Board of Trustees of Alliance Community Schools, Inc. (the “Board”) on November 9, 1998. The Ohio State Board of Education approved the proposal and entered into a contract with the Board, which provided for the commencement of School operations beginning with the 2000 academic year and terminated upon conclusion of fiscal year 2005.

The contract with the Ohio State Board of Education was not renewed and the School entered a sponsor contract with the Thomas B. Fordham Foundation for the period July 1, 2005 through June 30, 2010. The School renewed the sponsor contract with the Thomas B. Fordham Foundation for the period of July 1, 2010 through June 30, 2011, and additionally from July 1, 2011 through June 30, 2012. The sponsor contract was renewed for another year for the time period of July 1, 2012 through June 30, 2013.

The School operates under a seven member Board of Trustees. This Board of Trustees exercises its authority by appointing a separate five member Board of Governance for the School. The Board of Trustees is responsible for carrying out the provisions of the sponsor contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

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

Alliance Community Schools, Inc. has two divisions. These divisions operate under the names of Dayton Leadership Academies-Dayton Liberty Campus, and Dayton Leadership Academies-Dayton View Campus. Alliance Community Schools, Inc. has contracted with EdisonLearning, Inc. to act as a management company for both of the schools. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

During the fiscal year, the School segregates transactions related to certain School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the School uses a single enterprise fund presentation.

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Expenses

Expenses are recognized at the time they are incurred.

F. Equity in Pooled Cash

The School maintains an interest bearing deposit account. All funds of the School are maintained in this account. This account is presented on the Statement of Net Assets as "Equity in pooled cash". The School had no investments during Fiscal Year 2012.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of $1,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method over 25 years.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists of capital assets, net of accumulated depreciation. The School has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets as of June 30, 2012.

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Estimates

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

L. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (except 5705.391 which requires a 5 year projection submitted to the Ohio Department of Education), unless specifically provided in the contract between the School and its sponsor. The contract between the School and its sponsor does not prescribe a budgetary process for the School; therefore, no budgetary information is presented in the financial statements.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateralized securities that are in the possession of an outside party. At fiscal year-end, $1,160,725 of the School's bank balance of $1,410,725 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution.

The School has no policy for custodial credit risk for deposits.

4. RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental (State Foundation and Federal and State grants). All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Food Service Subsidy	$ 27,952
Title I Grant	70,978
Title II-D Grant	1,888
Title I, School Improvement	82,824
ECSE Grant	1,176
Title VI-B Grant	36,249
Title II-A Grant	23,369
Ed Jobs Grant	21,541
Race To The Top Grant	105,907
Total Intergovernmental Receivable	$371,884

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
Capital Assets, Being Depreciated:				
Building	$348,900			$348,900
Less Accumulated Depreciation:				
Building	(111,648)	($13,956)		(125,604)
Governmental Activities Capital Assets, Net	$237,252	($13,956)	$0	$223,296

6. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2012, the School carried insurance purchased through Brower Insurance Agency, LLC, for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educators legal liability, employment practices liability, and directors and officers liability insurance.

The general liability provides $1,000,000 per occurrence and $2,000,000 in the aggregate with no deductible. The employee's benefits liability provides $1,000,000 per claim and $3,000,000 in the aggregate with a $1,000 deductible. The automobile liability provides $1,000,000 per occurrence with no deductible. The property insurance provides $2,114,320 for business personal property and carries a $500 deductible. The Ohio employers liability provides $1,000,000 for each employee and $1,000 in the aggregate. The employment practices liability insurance provides a $1,000,000 limit per claim with a $5,000 deductible. The directors & officers liability insurance provides a $1,000,000 limit per claim with a $5,000 deductible. Excess liability is provided at a $5,000,000 limit with $5,000,000 in the aggregate. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in any of the past three years.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – Alliance Community Schools, Inc. contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations and death with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. Alliance Community Schools, Inc.'s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were $0, $0, and $71,838, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description – Alliance Community Schools, Inc. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Alliance Community Schools, Inc's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were, $200,265, $231,777, and $308,838, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – Alliance Community Schools, Inc. participates in two cost-sharing multiple-employer defined benefit OPEB 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS 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 Street, Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was $35,800.

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

The Alliance Community Schools, Inc's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were $0, $0, and $19,493, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were $0, $0, and $4,272, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

8. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The Alliance Community Schools, Inc. contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension 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 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 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. Alliance Community Schools, Inc.'s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were $15,405, $17,289, and $23,757, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

9. EMPLOYEE BENEFITS

As part of the management agreement with EdisonLearning, Inc. (see Note 14), medical, dental, and vision insurance benefits and retirement for employees are paid by EdisonLearning, Inc.

10. RELATED PARTY TRANSACTIONS

A. Alliance Facilities Management (AFM)

The School leases its facilities and land from Alliance Facilities Management (AFM). The lease expense for the year ended June 30, 2012 was $549,665 for the land and $67,715 for the facilities. AFM's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 11)

B. Board of Governance

Although no transactions occurred between Dayton Leadership Academies-Dayton View Campus and Dayton Leadership Academies-Dayton Liberty Campus, both schools share the same Board of Governance.

C. Thomas B. Fordham Foundation

The School contract requires two percent of all funds received from State foundation revenues to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total payments made during the period ended June 30, 2012 were $43,612.

11. LEASES

The School subleases a building and 6.5588 acres together with the non-exclusive right to use and occupy some common areas through a related nonprofit organization, Alliance Facilities Management (AFM). (See note 10A.) The term of the original lease commenced on August 1, 1999 and ran through June 30, 2004. The School had an option to renew the lease for four additional terms of five years. The School renewed the lease for the period July 1, 2004 through June 30, 2009. The lease was renewed again for the period July 1, 2009 through June 30, 2014. AFM leases the land from the Dixon United Methodist Church. The School agreed to pay AFM, as rent for the land, an amount based on student enrollment each month. For the fiscal year 2012, the amount was $8.60 per student. This amount increases by three percent in August each year. Rent paid for the land for the fiscal year ended June 30, 2012 was $67,715.

The lease also states the School must pay AFM for rent of the building, an amount equal to the debt service relating to any financing obtained; plus loan closing costs, ongoing loan administration costs associated with any financing secured by the premises, including but not limited to, costs associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AFM, plus $5,000 per fiscal year. Lease payments for the building for the fiscal year ended June 30, 2012 were $549,665.

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an adjustment of $46,147 that the School was overpaid during fiscal year 2012. This amount is reflected as intergovernmental payable on the accompanying financial statements.

C. Litigation

The School is party to legal proceedings. The School is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School.

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2012 purchased services expenses for services rendered by various vendors were as follows:

Management Company Fees	$2,279,522
Miscellaneous	67,715
Sponsorship Fees	43,612
Total	$2,390,849

14. AGREEMENT WITH EDISONLEARNING, INC.

On June 20, 2000, the School contracted with EdisonLearning, Inc. to provide educational programs that offer educational excellence and a laboratory for educational innovation based on EdisonLearning, Inc.'s unique school design, comprehensive educational programs, and management principles. The term of the contract was July 1, 2010 through June 30, 2011. The contract was extended for an additional year, however, as of July 1, 2012 the management contract was allowed to lapse. Under the contract, EdisonLearning, Inc. is responsible and accountable to Alliance Community Schools, Inc. Board of Trustees for the administration, operation, and performance of the School in accordance with the School's contract with the Thomas B. Fordham Foundation to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

Management Consulting and Operation Fee

The School is required to remit monthly to EdisonLearning, Inc. all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources." The following is a summary of current payment activity to EdisonLearning, Inc.:

Amount due current fiscal year	$2,279,522
Amount remitted current fiscal year	(2,062,707)
Edison Payable	$ 216,815

The School's Financial Responsibility

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

Edison Financial Responsibilities

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

EdisonLearning, Inc. must secure and maintain commercial general liability coverage for bodily injury and property damage; educator liability coverage; automobile liability insurance, for, personal injury and property damage; property insurance for facilities; and workers' compensation insurance for employees.

Budget

EdisonLearning, Inc. shall provide the School with an annual budget, in reasonable detail, by June 30 of each fiscal year for the following fiscal year.

14. AGREEMENT WITH EDISONLEARNING, INC. (Continued)

B. Personnel

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

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

C. Agreement Termination

Termination by the School

The School may terminate the contract in the event EdisonLearning, Inc. materially breaches the contract and EdisonLearning, Inc. fails to remedy such breach within 60 days of its receipt of written notice of such breach from the School. On February 2, 2012 the Governing Board approved a resolution not to renew the current contract, between Alliance Community Schools and EdisonLearning Inc., for services at Dayton Liberty Campus, upon the expiration of that contract in June of 2012.

Termination by EdisonLearning, Inc.

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

15. EDISONLEARNING, INC. EXPENSES

For the fiscal year ended June 30, 2012, EdisonLearning, Inc. incurred the following expenses on behalf of the School (Cash Basis).

	2012
Expenses:	
Direct Expenses:	
Salaries and Wages and Benefits	$1,306,117
Professional and Technical Services	61,444
Property Services	172,891
Travel	6,061
Professional Development and Recruitment	54,482
Communications	12,900
Utilities	81,076
Contracted Craft or Trade Services	247,142
Transportation	49,971
Other Purchased Services	77,292
Books, Periodicals and Films	108,464
Other Supplies	29,244
Other Direct Costs	22,493
Total Expenses	$2,229,577

16. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts and community schools in a geographic 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 and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School did not make any payments to MDECA for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

DAYTON LEADERSHIP ACADAMIES - DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	$63,875	$63,875
National School Lunch Program	10.555	115,053	115,053
Total Child Nutrition Cluster		178,928	178,928
Fresh Fruit and Vegetable Program	10.582	37,447	28,585
Total United States Department of Agriculture		216,375	207,513
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	407,186	319,557
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	12,838	
Total Title I, Part A Cluster		420,024	319,557
Special Education Cluster:			
Special Education Grants to States	84.027	102,466	102,466
ARRA - Special Education Grants to States, Recovery Act	84.391	7,111	2,940
Special Education_Preschool Grants	84.173	394	
Total Special Education Cluster		109,971	105,406
Educational Technology State Grants	84.318	265	1,627
Improving Teacher Quality State Grants	84.367	66,184	65,064
ARRA - State Fiscal Stabilization Fund - Race-To-The-Top Incentive Grants, Recovery Act	84.395	20,455	18,532
Education Jobs Fund	84.410	187,956	185,872
Total United States Department of Education		804,855	696,058
Total Federal Assistance		$1,021,230	$903,571

The notes to this schedule are an integral part of this schedule.

DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Dayton Leadership Academies-Dayton Liberty Campus (the School's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - MATCHING REQUIREMENTS

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

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

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton-Liberty Road
Dayton, Ohio 45417

To the Governing Board:

We have audited the financial statements of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *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 more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 18, 2013.

We intend this report solely for the information and use of management, the governing board, Thomas B. Fordham Foundation (the Sponsor), EdisonLearning, Inc., others within the School, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 18, 2013

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

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton-Liberty Road
Dayton, Ohio 45417

To the Governing Board:

Compliance

We have audited the compliance of Dayton Leadership Academies – Dayton Liberty Campus (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Dayton Leadership Academies – Dayton Liberty Campus's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

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

In our opinion, the Dayton Leadership Academies – Dayton Liberty Campus complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed and instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a material weakness.

The School's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 18, 2013.

We intend this report solely for the information and use of management, the Governing Board, Thomas B. Fordham Foundation (the Sponsor), EdisonLearning, Inc., others within the School, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 18, 2013

DAYTON LEADERSHIP ACADEMIES – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Title I, Part A Cluster: Title I Grants to Local Educational Agencies CFDA # 84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA # 84.389 Education Jobs Fund, CFDA 84.410
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA # 84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA # 84.389
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The School's management company, EdisonLearning, Inc. prepared the Schedule of Federal Awards Receipts and Expenditures for the fiscal year end 2012. The following errors were noted on the federal schedule;

- Expenditures for Title I Grants to Local Educational Agencies (CFDA # 84.010) were understated by $58,297 and Expenditures for ARRA – Title I Grants to Local Educational Agencies, Recovery Act (CFDA # 84.389) were overstated by $12,838.
- We also noted similar errors in several other non-major federal programs.

The errors and unsupported amounts noted with the Schedule of Federal Awards receipts and expenditures were brought to the attention of the School's Treasurer who provided a revised and supported federal schedule. The Schedule was adjusted to correctly report the School's federal expenditures.

Finding Number 2012-001
(Continued)

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §__.310(b), the Schedule should be reviewed after preparation and agreed to the underlying cash reports or supporting accounting records of the School for completeness and accuracy.

Official's Response: See page 30.

DAYTON LEADERSHIP ACADEMIES – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	As of July 1, 2012, the school district became self-managed, which means the district will pay all of it's own expenditures, including salaries and benefits. Currently the District uses the Uniform School Accounting System (USAS) and Uniform Staff Payroll System (USPS) which will automatically prepare the Schedule of Expenditures of Federal Awards. This schedule will be reviewed by the Treasurer and corrections made if necessary before submission.	June 30, 2013	Tammy Emrick, Treasurer

Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS

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
APRIL 23, 2013