



Dave Yost • Auditor of State

**DAYTON LEADERSHIP ACADEMY – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Dayton Leadership Academy - Dayton Liberty Campus
Montgomery County
1416 West Riverview Ave.
Dayton, Ohio 45402

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Leadership Academy – Dayton Liberty Campus, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dayton Leadership Academy – Dayton Liberty Campus, Montgomery County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 16 to the financial statements, the School was voluntarily suspended by the Board effective July 1, 2013. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 10, 2014

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of the Dayton Leadership Academies-Dayton Liberty Campus's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. 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 position increased \$631,636 from fiscal year 2012.

Federal and state grants decreased \$383,210 from fiscal year 2012 due to decreased grant funding. State Foundation monies decreased by \$73,925, due to slightly decreased enrollment.

Expenses decreased due to self-management.

Using this Financial Report

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

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the School did financially during fiscal year 2013. These statements include all assets and liabilities using the full 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 position and the change in that position. This change in net position 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 position for fiscal year 2013 and fiscal year 2012:

(Table 1)			
Net Position			
	2013	2012	Change
Assets:			
Current Assets	\$1,291,676	\$1,164,239	\$127,437
Depreciable Capital Assets, Net	277,777	223,296	54,481
Total Assets	1,569,453	1,387,535	181,918
Liabilities:			
Current Liabilities	167,539	617,257	(449,718)
Net Position:			
Invested in Capital Assets	277,777	223,296	54,481
Unrestricted	1,124,137	546,982	577,155
Total Net Position	\$1,401,914	\$770,278	\$631,636

Total net position increased \$631,636, mainly due to self-management. Current liabilities also decreased due to payments of obligations being made in a timelier manner. Net Capital Assets increased \$54,481 since the School is now capitalizing its own equipment.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net position for fiscal year 2013 and fiscal year 2012.

**(Table 2)
Changes in Net Position**

	2013	2012	Change
Operating Revenues:			
Sales	\$5,347	\$4,863	\$484
State Foundation	2,352,220	2,426,145	(73,925)
Miscellaneous	11,364	4,742	6,622
Total Operating Revenues	<u>2,368,931</u>	<u>2,435,750</u>	<u>(66,819)</u>
Non-Operating Revenues:			
Federal and State Grants	471,385	854,595	(383,210)
Gifts and Donations	350	4,000	(3,650)
Total Non-Operating Revenues	<u>471,735</u>	<u>858,595</u>	<u>(386,860)</u>
Total Revenues	<u>2,840,666</u>	<u>3,294,345</u>	<u>(453,679)</u>
Operating Expenses:			
Salaries	1,315,867	216,949	1,098,918
Fringe Benefits	567,512	52,204	515,308
Purchased Services	219,665	3,008,229	(2,788,564)
Materials and Supplies	40,069	537	39,532
Depreciation	16,588	13,956	2,632
Other Expenses	49,329	25,232	24,097
Total Expenses	<u>2,209,030</u>	<u>3,317,107</u>	<u>(1,108,077)</u>
Change in Net Position	631,636	(22,762)	654,398
Net Position at Beginning of Year	<u>770,278</u>	<u>793,040</u>	<u>(22,762)</u>
Net Position at End of Year	<u>\$1,401,914</u>	<u>\$770,278</u>	<u>\$631,636</u>

There was a decrease in revenues of \$453,679 and a decrease in expenses of \$1,108,077 from fiscal year 2012. 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 costs attributed to self-management.

Capital Assets

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
Capital Assets, Being Depreciated:				
Building & Building Improvements	\$348,900	\$4,604		\$353,504
Furniture and Equipment		66,465		66,465
Less Accumulated Depreciation:				
Building & Building Improvements	(125,604)	(14,973)		(140,577)
Furniture and Equipment		(1,615)		(1,615)
Governmental Activities Capital Assets, Net	<u>\$223,296</u>	<u>\$54,481</u>	<u>\$0</u>	<u>\$277,777</u>

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

At the end of fiscal year 2013 the School had \$277,777, (net of accumulated depreciation) invested in buildings, building improvements and furniture & equipment. 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 45418, or e-mail at temrickcpa@gmail.com.

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**DAYTON LEADERSHIP ACADEMY - DAYTON LIBERTY
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

Assets:

Current assets:

Cash and cash equivalents	\$1,137,248
Accounts receivable	1,077
Intergovernmental receivable	<u>153,351</u>
Total current assets	<u>1,291,676</u>

Non-current assets:

Depreciable Capital assets	<u>277,777</u>
Total noncurrent assets	<u>277,777</u>

Total Assets	<u>1,569,453</u>
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Liabilities:

Current liabilities:

Accounts payable	91,666
Accrued wages and benefits payable	73,292
Intergovernmental payable	<u>2,581</u>
Total Liabilities	<u>167,539</u>

Net Position:

Net investment in capital assets	277,777
Unrestricted	<u>1,124,137</u>
Total Net Position	<u>\$1,401,914</u>

See accompanying notes to the basic financial statements.

**DAYTON LEADERSHIP ACADEMY - DAYTON LIBERTY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Operating Revenues:	
Foundation payments	\$2,352,220
Sales	5,347
Other operating revenues	11,364
Total operating revenues	<u>2,368,931</u>
Operating Expenses:	
Salaries	1,315,867
Fringe benefits	567,512
Purchased services	219,665
Materials and supplies	40,069
Depreciation	16,588
Other operating expenses	49,329
Total operating expenses	<u>2,209,030</u>
Operating Income	159,901
Non-Operating Revenues and Expenses:	
Federal and state grants	471,385
Gifts and Donations	350
Total non-operating revenues and expenses	<u>471,735</u>
Change in net position	631,636
Net position at beginning of year	770,278
Net position at end of year	<u><u>\$1,401,914</u></u>

See accompanying notes to the basic financial statements.

**DAYTON LEADERSHIP ACADEMY - DAYTON LIBERTY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$2,352,220
Cash received from Sales	5,347
Cash received from other nonoperating revenues	350
Cash received from other operating revenues	10,287
Cash payments for personal services	(1,667,036)
Cash payments for contract services	(888,925)
Cash payments for supplies and materials	(37,957)
Cash payments for other expenses	<u>(48,242)</u>
Net cash used for operating activities	<u>(273,956)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>689,918</u>
Net cash provided by noncapital financing activities	<u>689,918</u>

Cash flows from capital and related financing activities:

Acquisition of Capital Assets	<u>(71,069)</u>
Net cash used by capital and related financing activities	<u>(71,069)</u>

Net change in cash and cash equivalents	344,893
Cash and Cash Equivalents at beginning of year	<u>792,355</u>
Cash and Cash Equivalents at end of year	<u><u>1,137,248</u></u>

Reconciliation of operating income to net cash used for operating activities:

Operating income	159,901
Adjustments to reconcile operating income to net cash used for operating activities:	
Non-operating revenues	350
Depreciation	16,588
Change in assets and liabilities:	
Decrease in intergovernmental receivable	
Increase in accounts receivable	(1,077)
Decrease in accounts payable	(127,560)
Decrease in Edison payable	(216,815)
Decrease in accrued wages and benefits	(61,777)
Decrease in intergovernmental payable	<u>(43,566)</u>

Net cash used for operating activities	<u><u>(\$273,956)</u></u>
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See accompanying notes to the basic financial statements.

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**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 six 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 14)

Alliance Community Schools, Inc. has several divisions. These divisions operate under the names of Dayton Leadership Academies-Dayton Liberty Campus, Dayton Leadership Academies-Dayton View Campus, and Alliance Facilities Management. Alliance Community Schools, Inc. allowed its management contract with Edison Learning, Inc. to lapse as of June 20, 2012 and is currently self-managed.

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

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, 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 position, 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 position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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 full 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.

E. Expenses

Expenses are recognized at the time they are incurred.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Equity in Pooled Cash

The School maintains a checking account. All funds of the School are maintained in this account. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents". The School had no investments during Fiscal Year 2013.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) 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.

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.

Capital assets are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Building Improvements	25 years
Furniture and Equipment	5 years

H. Net Position

Net position represents the difference between assets and liabilities. Net position is 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 position is available. The School had no restricted net position as of June 30, 2013.

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.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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, unless specifically provided in the contract between the School and its sponsor. However, ORC section 3314.03(A)(11) requires the school to comply with section 5705.391, which requires a 5 year projection of operational revenues and expenditures. 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 AND INVESTMENTS

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, \$1,170,993 of the School's bank balance of \$1,420,993 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution. At June 30, 2013, the carrying amount of the School's deposits was \$1,137,251.

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

The School held no investments during fiscal year 2013.

4. RECEIVABLES

Receivables at June 30, 2013, 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	\$31,043
Title I Grant	73,171
Casino Revenue	7,450
Title VI-B Grant	1,426
Title II-A Grant	5,141
Race To The Top Grant	35,120
Total Intergovernmental Receivable	<u>\$153,351</u>

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
Capital Assets, Being Depreciated:				
Building & Building Improvements	\$348,900	\$4,604	\$0	\$353,504
Furniture and Equipment	-	66,465	-	66,465
Less Accumulated Depreciation:				
Building & Building Improvements	(125,604)	(14,973)	0	(140,577)
Furniture and Equipment	0	(1,615)		(1,615)
Governmental Activities Capital Assets, Net	<u>\$223,296</u>	<u>\$54,481</u>	<u>\$0</u>	<u>\$277,777</u>

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, 2013, 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 employer's 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.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 2013, 13.10 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, 2013, 2012, and 2011 were \$28,291, \$0, and \$0, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2013, 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 2013, 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, 2013, 2012, and 2011 were, \$141,751, \$200,265, and \$231,777, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$21,899 made by the School and \$15,642 made by the plan members.

8. POST-EMPLOYMENT 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 2013, .16 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 2013, this amount was \$20,525.

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, 2013, 2012, and 2011 were \$1,225, \$0, and \$0, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,671, \$0, and \$0, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT 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 2013, 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, 2013, 2012, and 2011 were \$10,904, \$15,405, and \$17,289, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

9. EMPLOYEE BENEFITS

The School District has elected to provide employee medical benefits through Anthem. The employees share the cost of the monthly premium with the Board of Education. The percentage varies depending upon the plan elected by the employee. The School District also provides life insurance through Lincoln National Life Insurance.

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, 2013 was \$67,743 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, 2013 were \$40,965.

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 2013, 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, 2013 was \$67,743.

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.

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 has not yet taken place for fiscal year 2013.

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2013 purchased services expenses for services rendered by various vendors were as follows:

Professional and technical services	(\$260,664)
Property Services	290,247
Travel and meetings	5,058
Communications	8,444
Utilities	79,325
Contracted Craft or Trade Services	31,250
Tuition	7,629
Transportation	41,436
Other	16,940
	<u>\$219,665</u>

**DAYTON LEADERSHIP ACADEMIES-DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. 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 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 made a total of \$4,265 in payments to MDECA for fiscal and EMIS services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

15. ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2013, the School implemented GASB Statement No.62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

16. VOLUNTARY SUSPENSION

As of July 1, 2013, the school voluntarily suspended its operations in order to focus exclusively on one campus, which is the Dayton View Campus. The school intends to restart operations on July 1, 2014 under a K-2 program model.

**DAYTON LEADERSHIP ACADEMY - DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program		10.553	\$69,392	\$69,392
National School Lunch Program		10.555	127,416	127,416
Total Child Nutrition Cluster			<u>196,808</u>	<u>196,808</u>
Fresh Fruit and Vegetable	2013	10.582	12,891	13,785
Fresh Fruit and Vegetable	2012	10.582	634	
Total Fruit and Vegetable Program Total			<u>13,525</u>	<u>13,785</u>
Total United States Department of Agriculture			210,333	210,593
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2013	84.010	166,277	226,098
Title I Grants to Local Educational Agencies	2012	84.010	67,876	
School Improvement Sub A	2013	84.010	2,750	2,750
School Improvement Sub A	2012	84.010	13,862	2,341
School Improvement Sub A	2012	84.010	(1,056)	
Total Title I Grants to Local Education Agencies			<u>249,709</u>	<u>231,189</u>
Special Education Grant	2013	84.027	79,021	78,691
Special Education Grant	2012	84.027	27,800	27,800
Total Special Education Grants			<u>106,821</u>	<u>106,491</u>
Education Technology State Grants	2012	84.318	1,627	
Improving Teacher Quality State Grants	2013	84.367	56,285	61,879
Improving Teacher Quality State Grants	2012	84.367	22,510	4,592
Total Improving Teacher Quality State Grants			<u>78,795</u>	<u>66,471</u>
State Fiscal Stabilization (SFSF) Race to the Top Incentive Grants, Recovery Act	2013	84.395	15,685	42,077
State Fiscal Stabilization (SFSF) Race to the Top Incentive Grants, Recovery Act	2012	84.395	924	
State Fiscal Stabilization (SFSF) Race to the Top Incentive Grants, Recovery Act - Ohio Resident Educator	2013	84.395		1,400
			<u>16,609</u>	<u>43,477</u>
Education Jobs	2012	84.410	21,541	23,625
Total United States Department of Education			<u>475,102</u>	<u>471,253</u>
Total Federal Assistance			<u>\$685,435</u>	<u>\$681,846</u>

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

**DAYTON LEADERSHIP ACADEMY - DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Dayton Leadership Academy - 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.

NOTE D – REFUND OF TITLE I GRANT RECEIPTS FOR FISCAL YEAR 2012, CFDA #84.010

\$1,056 of Title I Grant Program for fiscal year 2012 was refunded to the Ohio Department of Education during the audit period. It is reflected as a negative receipt on the accompanying Schedule.



Dave Yost • Auditor of State

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

Dayton Leadership Academy - Dayton Liberty Campus
Montgomery County
1416 West Riverview Ave.
Dayton, Ohio 45402

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Dayton Leadership Academy – Dayton Liberty Campus, Montgomery County, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 10, 2014. We noted that the Board voluntarily suspended operations of the School effective July 1, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Academy - Dayton Liberty Campus
Montgomery County
1416 West Riverview Ave.
Dayton, Ohio 45402

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Dayton Leadership Academy – Dayton Liberty Campus's (the School) compliance with the applicable 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 Academy – Dayton Liberty Campus's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the School's major federal programs.

Management's Responsibility

The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Basis for Qualified Opinion on Title I

As described in finding 2013-003 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Title I major federal program. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to this program.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I* paragraph, the Dayton Leadership Academy – Dayton Liberty Campus complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Dayton Leadership Academy – Dayton Liberty Campus complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2013-002. This finding did not require us to modify our compliance opinion on the major federal program.

The School's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

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's applicable 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's 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 and questioned costs as item 2013-003 to be a material weakness.

A significant deficiency in internal control over compliance is deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a significant deficiency.

The School's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2014

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**DAYTON LEADERSHIP ACADEMY – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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)?	Yes
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified: Nutrition Cluster Qualified: Title I
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: National School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA #10.555) Title I (CFDA #84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance - Finding for Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental entity should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if incidental private end is advanced.

Consultant Edward Mathes was employed by the Dayton Leadership Academies as an instructional coach. The Dayton Leadership Academies consist of two sister campuses: Dayton Liberty Campus and Dayton View Campus. As part of this, he would bill both campuses (academies) through a single invoice with a set percentage of the invoice being paid by each academy. The Liberty Campus paid forty-two percent of each invoice. Accordingly, Mr. Mathes billed the campus a total of \$10,773 during FY 2013 and was paid a total of \$12,474. This resulted in an overpayment of \$1,701. In accordance with the foregoing facts and pursuant to Ohio Revised Code, Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edward Mathes in the amount of \$1,701, and in favor of the Dayton Leadership Academy - Liberty Campus, Title II-A Fund. The Finding was repaid under audit on November 4, 2013.

The Academy should develop and implement policies to ensure that they are not paying duplicate invoices.

Officials Response: The school has implemented new procedures in order to strengthen internal control policies regarding the accounts payment system for contracted services. Beginning with fiscal year 2013-14 contracted service personnel will only bill the school once per month at the end of each month for services.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2013-002

Noncompliance/Significant Deficiency – Level of Effort

Finding Number	2013-002
CFDA Title and Number	CFDA #84.010: Title I-Grants to States
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER 2013-002
 (Continued)**

Section 9521 of ESEA (20 USC 7901) and 34 CFR section 299.5 states that a LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

ODE Education Management Information System (EMIS) Manual, Chapters 1, 2, 4 and Appendix I require LEAs to report the annual average daily membership per student for Period N (Year End). ODE Reporting School District Revenue and Spending Per Pupil Handbook (aka: Expenditure Flow Model Handbook) requires LEAs to report District- and Building-level financial data for aggregate "general expenditures" using the Expenditure Flow Model for Period H.

Contrary to the above requirements, the School reported its average daily membership in EMIS of 330.1 students while the Expenditure Flow Model used 484.77 students to calculate the per student expenditures. The variance may be the result of the EMIS system accurately reporting 188 school days and the Secure Data Center reporting 189 school days. The School was unable to provide documentation as to the reason for the variances. These differences made it difficult to determine if the District met the level of effort requirements of the Title I federal program. Failure to meet the level of expenditure requirements may result in loss of funding for the School. We recommend that all documentation be retained and variances be explained.

Official's Response: The school has implemented backup procedures in order to capture "snapshots" of enrollment data which will enable the staff to easily find older reports and information. Current staff is also in the process of being cross trained on the program used to report enrollment data, which is Infinite Campus. The Expenditure Flow Model is no longer being used by the Ohio Department of Education, which by design allowed for different enrollment numbers to be used in order to calculate expenditure per pupil. The new expenditure per pupil calculation will pull enrollment data directly from the Educational Management Information System.

FINDING NUMBER 2013-003

Noncompliance/Questioned Cost/Material Weakness – Allowable Costs/Cost Principles

Finding Number	2013-003
CFDA Title and Number	CFDA #84.010: Title I -Grants to States
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER 2013-003
(Continued)**

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section E(2)(a) provides that for a cost to be allowable, the expenditure must be for compensation of employees for the time devoted and identified specifically to the performance of those awards. In addition, **Title I, Part A, Section 1114** states a local educational agency may consolidate and use funds under this part, together with other Federal, State, and local funds, in order to upgrade the entire educational program of a school that serves an eligible school attendance area in which not less than 40 percent of the children are from low-income families, or not less than 40 percent of the children enrolled in the school are from such families. **USDE's Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement, not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; and Grantback Requirements, item E-7** states if a school operating a school-wide program does not consolidate its Title I, Part A funds with other Federal, State, and local funds, Part A funds must be used to address specific educational needs of the school identified by the needs assessment and articulated in the plan.

During audit procedures we noted that a physical education teacher's salary was charged to the Title I grant fund. The Academy operates a school-wide program and does not consolidate its' Title I, Part A funds with other funds. Further, their school-wide plan indicated that the grant would be used for reading and math. This resulted in a questioned cost of \$27,879 and a qualified opinion on the Title I grant.

We recommend the School review the employee duties for employees charged to grant funds to ensure only allowable activities are charged.

Official's Response: The Curriculum Director is now responsible for the CCIP grants rather than the Director of Business. The Curriculum Director has been trained by going to conferences and working with the Ohio Department of Education on what is an allowable expenditure for each grant. Also, the Treasurer and Curriculum Director meet and write the grants together in a collaborative effort in order to ensure that proper expenditures are charged to each grant and are aligned with the school's goals.

**DAYTON LEADERSHIP ACADEMY – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	OMB Circular A-133 Subpart C paragraph .310(b) the Schedule of Receipts and Expenditures for Federal Awards contained errors.	No	Partially Corrected-reported in a separate letter to management of the School.

**DAYTON LEADERSHIP ACADEMY – DAYTON LIBERTY CAMPUS
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
Fiscal year end JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	The school has implemented backup procedures in order to capture “snapshots” of enrollment data which will enable the staff to easily find older reports and information. Current staff is also in the process of being cross trained on the program used to report enrollment data, which is Infinite Campus. The Expenditure Flow Model is no longer being used by the Ohio Department of Education, which by design allowed for different enrollment numbers to be used in order to calculate expenditure per pupil. The new expenditure per pupil calculation will pull enrollment data directly from the Educational Management Information System.	6/30/2014	Dr. T.J. Wallace, Executive Director and Tammy Emrick, Treasurer
2013-003	The Curriculum Director is now responsible for the CCIP grants rather than the Director of Business. The Curriculum Director has been trained by going to conferences and working with the Ohio Department of Education on what is an allowable expenditure for each grant. Also, the Treasurer and Curriculum Director meet and write the grants together in a collaborative effort in order to ensure that proper expenditures are charged to each grant and are aligned with the school’s goals.	6/30/2014	Dr. T.J. Wallace, Executive Director, Holly Cartwright, Curriculum Director and Tammy Emrick, Treasurer



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Dayton Leadership Academy – Liberty Campus
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Board of Directors:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Dayton Leadership Academy – Liberty Campus (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student “on a school bus”.

Ohio Rev. Code Section 3313.666 required the School to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 10, 2014

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DAYTON LEADERSHIP ACADEMY – 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 8, 2014**