DAYTON LEADERSHIP ACADEMIES - EARLY LEARNING ACADEMY
MONTGOMERY COUNTY

FINAL REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

DAYTON LEADERSHIP ACADEMIES – EARLY LEARNING ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Dayton Leadership Academies - Early Learning Academy
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Dayton Leadership Academies - Early Learning Academy, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dayton Leadership Academies - Early Learning Academy, Montgomery County, Ohio, as of June 30, 2018, and the changes in 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.

Emphasis of Matter

As discussed in Note 16 to the basic financial statements, on July 1, 2018 the School and Dayton Leadership Academies - Dayton View Campus combined into one school for operating purposes. The combined schools have kept the Dayton View name and all assets and operations have been merged as of July 1, 2018. 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* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019, 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

DAYTON LEADERSHIP ACADEMIES-
EARLY LEARNING ACADEMY
MONTGOMERY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The discussion and analysis of the Dayton Leadership Academies-Early Learning Academy's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. 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 decreased $216,216 from fiscal year 2017.
- The School saw the FTE counts increase by over eighteen percent that helped increase the revenues for the School over fifteen percent.
- The expenses, mainly purchased services, increased by thirty-nine percent over 2017 with increased shared services from the Dayton View campus.
- The School reports no long term debt although accounts payable of $138,655 is twenty-one percent of the available net position.

Using this Financial Report

This annual report consists of a series of financial statements, notes to those statements and required supplementary information.

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 2018. These statements include all assets, deferred outflows, liabilities and deferred inflows 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 2018 and fiscal year 2017:

(Table 1)
Net Position

	2018	2017	Change
Assets:			
Current Assets	$812,873	$940,595	($127,722)
Depreciable Capital Assets, Net	165	14,348	(14,183)
Total Assets	813,038	954,943	(141,905)
Deferred Inflows of Resources	1,500	8,810	(7,310)
Liabilities:			
Current Liabilities	138,655	60,273	78,382
Net Pension Liability	2,940	29,950	(27,010)
Total Liabilities	141,595	90,223	51,372
Deferred Inflows of Resources	18,066	2,437	15,629
Net Position:			
Net Investment in Capital Assets	165	14,348	(14,183)
Restricted	102,213	94,192	8,021
Unrestricted	552,499	762,553	(210,054)
Total Net Position	$654,877	$871,093	($216,216)

Total assets decreased $141,905 as the School received less federal grant funding that was outstanding at year end. During fiscal year 2018, the School saw a significant increase in accounts payable of $138,655 with over $111,000 being due to Dayton View Academies as part of the shared services agreement.

Table 2 shows the changes in net position for fiscal year 2018 and fiscal year 2017.

(Table 2)
Change in Net Position

	2018	2017	Change
Operating Revenues:			
Foundation Payments	$1,382,700	$1,117,869	$264,831
Other Operating Revenues	191	0	191
Total operating revenues	1,382,891	1,117,869	265,022
Non-Operating Revenues:			
Federal and state grants	532,868	538,270	(5,402)
Local contributions/donations	15,000	15,000	0
Total Non-Operating Revenues	547,868	553,270	(5,402)
Total Revenues	1,930,759	1,671,139	259,620
Operating Expenses:			
Fringe benefits	(4,071)	231	(4,302)
Purchased services	1,960,826	1,417,709	543,117
Materials and supplies	149,898	90,198	59,700
Depreciation	14,183	14,183	0
Other operating expenses	26,139	21,746	4,393
Total operating expenses	2,146,975	1,544,067	602,908
Change in Net Position	(216,216)	127,072	($343,288)
Net Position at Beginning of Year	871,093	744,021	
Net Position at End of Year	$654,877	$871,093	

There was an increase in total revenues of $259,620 and an increase in operating expenses of $602,908 from fiscal year 2017 as the School continued to increase enrollment from being closed in fiscal year 2014. The largest increase in revenues related to foundation revenue as the number of students increased. The largest increase in the expenses were in purchase services form the shared services agreement with Dayton View Academies.

Capital Assets

	Balance 6/30/18	Balance 6/30/17
Capital Assets, Being Depreciated:		
Furniture and Equipment	70,914	70,914
Less Accumulated Depreciation:		
Furniture and Equipment	(70,749)	(56,566)
Governmental Activities Capital Assets, Net	$165	$14,348

At the end of fiscal year 2018 the School had $165, (net of accumulated depreciation) invested in furniture & equipment. For more information on capital assets see Note 5 to the basic financial statements.

Debt

The School has no debt at June 30, 2018.

For the future

On July 1, 2018, the School combined with the Dayton View Academies to consolidate costs and improvement academic and operational efficiencies. The combined FTE counts for fiscal year 2019 is higher than the two separate schools reported for fiscal year 2018.

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 Nicki Hagler, Treasurer at Dayton Leadership Academies-Dayton View, 1416 West Riverview Avenue, Dayton, Ohio 45402, or e-mail at nicki@mangen1.com.

DAYTON LEADERSHIP ACADEMIES -
EARLY LEARNING ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION

AS OF JUNE 30, 2018

Assets:	
Current assets:	
Cash and cash equivalents	$ 770,428
Intergovernmental receivable	42,445
Total current assets	812,873
Noncurrent assets:	
Depreciable Capital assets	165
Total noncurrent assets	165
Total Assets	813,038
Deferred Outflows of Resources:	
Pension	1,500
Total Deferred Outflows of Resources:	1,500
Liabilities:	
Current liabilities	
Accounts payable	138,655
Total current liabilities	138,655
Long term liabilities	
Net Pension Liability	2,940
Total long term liabilities	2,940
Total Liabilities	141,595
Deferred Inflows of Resources:	
Pension	18,066
Total Deferred Inflows of Resources:	18,066
Net Position:	
Net investment in capital assets	165
Restricted	102,213
Unrestricted	552,499
Total Net Position	$ 654,877

See accompanying notes to the basic financial statements

DAYTON LEADERSHIP ACADEMIES -
EARLY LEARNING ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2018

Operating Revenues:		
Foundation payments	$	1,382,700
Other operating revenues		191
Total operating revenues		1,382,891
Operating Expenses:		
Fringe benefits		(4,071)
Purchased services		1,960,826
Materials and supplies		149,898
Depreciation		14,183
Other operating expenses		26,139
Total operating expenses		2,146,975
Operating Loss		(764,084)
Non-Operating Revenues:		
Federal and state grants		532,868
Local contributions and donations		15,000
Total non-operating revenues		547,868
Change in net position		(216,216)
Net position at beginning of year		871,093
Net position at end of year	$	654,877

See accompanying notes to the basic financial statements

DAYTON LEADERSHIP ACADEMIES -
EARLY LEARNING ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2018

Change in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,393,067
Cash received from other operating revenues	191
Cash payments for personal services	(322)
Cash payments for contract services	(1,877,372)
Cash payments for supplies and materials	(154,950)
Cash payments for other expenses	(26,159)
Net cash used for operating activities	(665,545)
Cash flows from noncapital financing activities:	
Cash received from local contributions and donations	15,000
Cash received from state and federal grants	658,665
Net cash provided by noncapital financing activities	673,665
Net change in cash and cash equivalents	8,120
Cash and Cash Equivalents at beginning of year	762,308
Cash and Cash Equivalents at end of year	770,428

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

Operating loss	(764,084)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	14,183
Change in assets and liabilities:	
Decrease in intergovernmental receivable	10,045
Decrease in deferred outflows	7,310
Increase in accounts payable	78,382
Increase in deferred inflows	15,629
Decrease in net pension liability	(27,010)
Net cash used for operating activities	$ (665,545)

Noncash Transactions: The School had outstanding intergovernmental receivables related to non-operating grants of $39,984 at June 30, 2018.

See accompanying notes to the basic financial statements

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NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community School, Inc. "Doing Business As" Dayton Leadership Academies-Early Learning Academy (the "School"), formally known as Dayton Leadership Academies-Dayton Liberty Campus, 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 second grade. 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. On June 22, 2015 the School officially changed its name from Dayton Leadership Academies-Dayton Liberty Campus to Dayton Leadership Academies-Early Learning Academy.

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, additionally from July 1, 2011 through June 30, 2012, and additionally from July 1, 2012 through June 30, 2013. The sponsor contract was renewed for two more years from July 1, 2013 through June 30, 2015. The contract was renewed for one year from July 1, 2015 to June 30, 2016. The contract was effective from July 1, 2016 to June 30, 2017. The contract was renewed again and is effective from July 1, 2017 to June 30, 2018. The School combined with the Dayton View campus on July 1, 2018 so the contract sponsorship was not renewed.

The School operates under a six member Board of Trustees. This Board of Trustees exercises its authority by appointing a separate 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 Educational Technology Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 13).

Alliance Community Schools, Inc. has several divisions. These divisions operate under the names of Dayton Leadership Academies-Early Learning Academy, and Dayton Leadership Academies-Dayton View Campus.

As of July 1, 2013, the school voluntary suspended its operations in order to focus exclusively on one campus, which is the Dayton View Campus. The school restarted operations on July 1, 2014 under a K-2 program model. The School finished fiscal year 2018 with an FTE count of 170.

NOTE 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 7)

F. Expenses

Expenses are recognized at the time they are incurred.

G. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

H. Cash and Cash Equivalents

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”.

I. 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 $5,000.

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:

Description	Estimated Lives
Furniture and Equipment	5 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the Statement of Net Position.

K. 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.

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.

L. 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 restricted net position of $102,213 as of June 30, 2018 for federal grant balances.

M. Operating Revenues and Expenses

Operating revenues normally 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.

N. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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. 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.

NOTE 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, $575,457 of the School's bank balance of $825,457 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution. At June 30, 2018, the carrying amount of the School's deposits was $770,428.

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

The School held no investments during fiscal year 2018.

NOTE 4 – RECEIVABLES

The School had the following intergovernmental receivables at June 30, 2018:

Description	Amount
State Foundation Adjustment	$294
SERS Refund	2,167
Federal Food Subsidy	12,140
Title I Grant	2,738
Miscellaneous Federal Grants	25,106
Total	$42,445

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Capital Assets, Being Depreciated:				
Furniture and Equipment	$ 70,914	$ -	$ -	$ 70,914
Less Accumulated Depreciation:				
Furniture and Equipment	(56,566)	(14,183)		(70,749)
Governmental Activities Capital Assets, Net	$ 14,348	($14,183)	$0	$165

NOTE 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, 2018, the School carried insurance purchased through Argonaut Insurance Company for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educator's legal liability, employment practices liability, and directors and officers liability insurance.

The general liability provides $1,000,000 per occurrence and $3,000,000 in the aggregate with no deductible that also provides a separate $500,000 limit for damaged to rented premises. The automobile liability provides $1,000,000 per occurrence with no deductible. The property insurance provides $14,196,369 for building and contents and carries a $2,500 deductible. The Ohio employers' liability provides $1,000,000 for each employee and $1,000,000 in the aggregate. Excess liability is provided at a $1,000,000 limit with $1,000,000 in the aggregate. Computer equipment is provided at a $1,000,000 limit with a $500 deductible. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Pension Systems

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – The School's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

The School's contractually required contribution to SERS was $322 for fiscal year 2018. Of this amount $0 is reported as an intergovernmental payable.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS
Proportion of the Net Pension Liability - prior measurement date	0.0004092%
Proportion of the Net Pension Liability - current measurement date	0.0000492%
Change in proportionate share	-0.0003600%
Proportionate Share of the Net Pension Liability	$2,940
Pension Expense - 2018	(4,072)
Pension Expense - 2017	3,396
Change in Pension Expense	$ (7,468)

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$106
Changes in proportion share	948
Changes in assumptions	124
School contributions subsequent to the measurement date	322
Total Deferred Outflows of Resources	$1,500
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$7
Changes in proportion share and difference between School contribution and proportionate share of contributions	18,059
Total Deferred Inflows of Resources	$18,066

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

$322 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS
2019	($5,943)
2020	(6,373)
2021	(4,511)
2022	(61)
Total	($16,888)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results on an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was followed RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$4,079	$2,940	$1,985

NOTE 8 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The School does not report a net OPEB liability as it is considered immaterial at $1,200 and the School is reporting financial information for the last year before the combination. *The information that follows is merely presented for disclosure purposes.*

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which OPEB are financed; however, the School does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School's contractually required contribution to SERS was $0 for fiscal year 2018.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS
Proportion of the Net OPEB Liability - current measurement date	0.0000447%
Proportionate Share of the Net OPEB Liability	$1,200
OPEB Expense (Income)	$72

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long- term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School's proportionate share of the net OPEB liability	$1,449	$1,200	$1,003

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease % decreasing to 4.0 %)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase 8.5% decreasing to 6.0 %)
School's proportionate share of the net OPEB liability	$973	$1,200	$1,499

NOTE 9 – RELATED PARTY TRANSACTIONS

A. Alliance Edison, LLC (AE)

The School leases its facilities and land from Alliance Edison, LLC (AE). Total payments made to AE during the year ended June 30, 2018, were $0 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 14)

B. Board of Governance

The School has entered into a Service Agreement with Dayton Leadership Academies-Dayton View Campus. Under the Service Agreement, both schools will operate out of the Dayton View Campus and will share expenses. Expenses will be shared as follows: 1) Executive leadership, support personnel cost and special services teachers (salaries and benefits) will be processed through the Dayton View's payroll system and 41% of that cost will be billed back to the School. 2) Teaching staff (salaries and benefits) for the School will be processed through Dayton View's payroll system and billed back to the School at 100%. 3) The School shall be responsible for 41% of the rent, utilities, and other overhead expenses, including but not limited to, property insurance, lawn upkeep, snow removal, repairs and general maintenance to operate the Dayton View building. 4) The School shall be responsible for 41% of the shared contracted services and 5) The School shall be responsible for 41% of any other shared costs.

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, 2018 were $25,781.

NOTE 10 – LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2018 were as follows:

Description	Outstanding 06/30/17	Additions	Deductions	Outstanding 06/30/18
Net Pension Liability				
SERS	$29,950	$0	$27,010	$2,940

NOTE 11 – 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

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2018. As of the date of this report, additional ODE finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School. These adjustments resulted in a receivable of $294.

NOTE 12 – PURCHASED SERVICES

For the fiscal year ended June 30, 2018 purchased services expenses for services rendered by various vendors were as follows:

Professional and technical services	$	1,567,855
Property Services		79,529
Travel and meetings		961
Communications		27,749
Utilities		38,272
Food Service		114,588
Transportation		131,872
Total	$	1,960,826

NOTE 13 – JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association – On July 1, 2015, the School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016, MDECA merged with the Metropolitan Education Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

NOTE 13 – JOINTLY GOVERNED ORGANIZATION (continued)

The governing board of META consists of a president, vice-president and nine board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Board. The School paid META $1,912 for services provided during the fiscal year.

Financial information can be obtained from David Varda, who serves as the Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

NOTE 14 – LEASES/RENT

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 Edison, LLC (AE). (See note 9A.) 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, respectively. The School's current lease is effective from July 21, 2015 through July 20, 2020. The School rents directly from the Dixon United Methodist Church. Rent paid for the building for the fiscal year ended June 30, 2018 was $0.

The lease also states the School must pay AE 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 AE, plus $5,000 per fiscal year.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement had no material effect on net position as reported June 30, 2018.

NOTE 16 – SUBSEQUENT EVENTS

On July 1, 2018 the School and the Dayton View Campus combined into one school for operating purposes, all assets and operations were merged with Dayton View as of July 1, 2018. The combined school has kept the Dayton View name and operations are running through the Dayton View activities.

Dayton Leadership Academies - Early Learning Academy
Montgomery County, Ohio
Required Supplementary Information
Schedule of the School 's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
The School 's Proportionate of the Net Pension Liability	0.0000492%	0.0004092%	0.0004669%	0.000446%	0.000446%
The School 's Proportionate Share of the Net Pension Liability	2,940	29,950	26,642	22,572	26,522
The School 's Covered Payroll	14,829	21,943	17,777	1,667	204,415
The School 's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	19.83%	136.49%	149.87%	1354.05%	12.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Dayton Leadership Academies - Early Learning Academy
Montgomery County, Ohio
Required Supplementary Information
Schedule of the School 's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 322	$ 2,076	$ 3,072	$ 2,343	$ 231	$ 28,291	$ -	$ -	$ 71,838	$ 79,057
Contributions in Relation to the Contractually Required Contribution	(322)	(2,076)	(3,072)	(2,343)	(231)	(28,291)	-	-	(71,838)	(79,057)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered Payroll	$ 2,385	$ 14,829	$ 21,943	$ 17,777	$ 1,667	$ 204,415	$ -	$ -	$ 530,561	$ 803,425
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Dayton Leadership Academies - Early Learning Academy
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45402

To the Board of Trustees:

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 the Dayton Leadership Academies – Early Learning Academy, Montgomery County, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 23, 2019, wherein we noted that the School merged all assets and operations with Dayton Leadership Academies – Dayton View Campus on July 1, 2018.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

OHIO AUDITOR OF STATE
KEITH FABER

DAYTON LEADERSHIP ACADEMIES – EARLY LEARNING ACADEMY

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
SEPTEMBER 5, 2019