DAYTON LEADERSHIP ACADEMIES - DAYTON VIEW CAMPUS
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES – DAYTON VIEW CAMPUS
MONTGOMERY COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Dayton Leadership Academies - Dayton View Campus
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 - Dayton View Campus, Montgomery County, Ohio (the School), as of and for the fiscal year ended June 30, 2017, 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 Dayton Leadership Academies - Dayton View Campus, Montgomery County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis 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 August 7, 2018, 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

Dave Yost
Auditor of State
Columbus, Ohio

August 7, 2018

The discussion and analysis of the Dayton Leadership Academies-Dayton View Campus's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. 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 $183,430 from fiscal year 2016 although the School received more foundation revenues, the expenses for salaries and purchased services increased more.
- The School realized a ($5,644,421) impact to the net position due to Governmental Accounting Standards Board (GASB) 68 Pension Reporting requirements.
- The cash balance decreased $79,270 from 2016 based on the higher expenses.
- Accounts payable decreased by over twenty-eight percent as the School paid invoices in a more timely manner.

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 change in net position reflect how the School did financially during fiscal year 2017. 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 2017 and fiscal year 2016:

(Table 1)

Net Position

	2017	2016	Change
Assets:			
Current Assets	$1,142,624	$1,385,057	($242,433)
Depreciable Capital Assets, Net	87,964	122,150	(34,186)
Total Assets	1,230,588	1,507,207	(276,619)
Deferred Outflows - Pension	949,707	547,671	402,036
Liabilities:			
Current Liabilities	286,843	258,002	28,841
Net Pension Liability	5,583,373	5,418,468	164,905
Total Liabilities	5,870,216	5,676,470	193,746
Deferred Inflows - Pension	1,010,755	895,654	115,101
Net Position:			
Net Investment in Capital Assets	87,964	122,150	(34,186)
Restricted	66,871	0	66,871
Unrestricted	(4,855,511)	(4,639,396)	(216,115)
Total Net Position	($4,700,676)	($4,517,246)	($183,430)

The Net Pension Liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability equal the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total net position decreased $183,430 as the current assets did drop about $242,000 as the cash balance went down from cash expenses exceeding revenues and the requests for title grants were done more timely resulting in the receivable dropping by almost $70,000. Net capital assets decreased $34,186 as the current year depreciation exceeded the additions. Current liabilities increased as the amount reported for accrued wages increased from last year.

Table 2 shows the change in net position for fiscal year 2017 and fiscal year 2016.

(Table 2)

Change in Net Position

	2017	2016	Change
Operating Revenues:			
Sales/Classroom fees	$0	$12,283	($12,283)
Foundation payments	1,989,055	1,909,039	80,016
Charges for Services	1,251,108	1,014,056	237,052
Other operating revenues	49,046	860	48,186
Total Operating Revenues	3,289,209	2,936,238	352,971
Non-Operating Revenues:			
Federal and State Grants	661,681	724,736	(63,055)
Gifts and Donations	30,500	0	30,500
Total Non-Operating Revenues	692,181	724,736	(32,555)
Total Revenues	3,981,390	3,660,974	320,416
Operating Expenses:			
Salaries	2,001,904	1,733,170	268,734
Fringe Benefits	366,143	377,190	(11,047)
Purchased Services	1,525,962	1,285,604	240,358
Materials and Supplies	193,257	157,615	35,642
Depreciation	40,812	38,697	2,115
Other operating expenses	36,742	15,010	21,732
Total Expenses	4,164,820	3,607,286	557,534
Change in Net Position	(183,430)	53,688	(237,118)
Net Position Beginning of Year	(4,517,246)	(4,570,934)	53,688
Net Position End of Year	($4,700,676)	($4,517,246)	($183,430)

Community schools receive no support from tax revenues and rely on funding through the state foundation program and federal grants. Revenues increased by 8% as funded enrollment and grant funding increasing slightly. The School provides operating support to Early Learning Academy which accounts for the charges for services line and the largest increase among the revenues. The salaries expense increased 15% due to the increase in the School staff with the shared services agreement. The decrease in fringe benefits comes from the GASB 68 amortization entries that reduced to fringe benefits by $122,030.

Capital Assets

	Balance 6/30/17
Capital Assets, Being Depreciated:	
Building	$36,446
Furniture and Equipment	201,855
Less Accumulated Depreciation:	
Building	(6,093)
Furniture and Equipment	(144,244)
Capital Assets, Net	$87,964

At the end of fiscal year 2017, the School had $87,964 (net of accumulated depreciation) invested in buildings and furniture and equipment. For more information on capital assets see Note 5 to the basic financial statements.

Debt

The School has no debt at June 30, 2017.

For the future

The School's financial health is dependent on the number of students that attend the School. For the November 2017 foundation calculation, the School reported 249 FTE which will increase the foundation by $112,000 over fiscal year 2017.

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 Campus, 1416 West Riverview Avenue, Dayton, Ohio 45402, or e-mail at nicki@mangen1.com.

DAYTON LEADERSHIP ACADEMIES - DAYTON VIEW CAMPUS
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION

AS OF JUNE 30, 2017

Assets:		
Current assets:		
Cash and cash equivalents	$	974,136
Segregated cash		5,061
Accounts receivable		2,400
Intergovernmental receivable		161,027
Total current assets		1,142,624
Non-current assets:		
Depreciable Capital assets, net		87,964
Total non-current assets		87,964
Total Assets		1,230,588
Deferred Outflows of Resources:		
Pension		949,707
Total Deferred Outflows of Resources:		949,707
Liabilities:		
Current liabilities		
Accounts payable		85,378
Accrued wages and benefits payable		172,274
Intergovernmental payable		29,191
Total current liabilities		286,843
Non-current liabilities		
Net Pension Liability		5,583,373
Total non-current liabilities		5,583,373
Total Liabilities		5,870,216
Deferred Inflows of Resources:		
Pension		1,010,755
Total Deferred Inflows of Resources:		1,010,755
Net Position:		
Net investment in capital assets		87,964
Restricted		66,871
Unrestricted		(4,855,511)
Total Net Position	$	(4,700,676)

See accompanying notes to the basic financial statements

DAYTON LEADERSHIP ACADEMIES - DAYTON VIEW CAMPUS
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Fiscal Year Ended June 30, 2017

Operating Revenues:		
Foundation payments	$	1,989,055
Charges for services		1,251,108
Other operating revenues		49,046
Total operating revenues		3,289,209
Operating Expenses:		
Salaries		2,001,904
Fringe benefits		366,143
Purchased services		1,525,962
Materials and supplies		193,257
Depreciation		40,812
Other operating expenses		36,742
Total operating expenses		4,164,820
Operating Loss		(875,611)
Non-Operating Revenues:		
Federal and state grants		661,681
Gifts and Donations		30,500
Total non-operating revenues		692,181
Change in net position		(183,430)
Net position at beginning of year		(4,517,246)
Net position at end of year	$	(4,700,676)

See accompanying notes to the basic financial statements

DAYTON LEADERSHIP ACADEMIES - DAYTON VIEW CAMPUS
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,974,406
Cash received from Early Learning Academy	1,346,899
Cash received from other operating revenues	46,646
Cash payments for personal services	(2,399,542)
Cash payments for contract services	(1,559,931)
Cash payments for supplies and materials	(193,631)
Cash payments for other expenses	(36,640)
Net cash used for operating activities	(821,793)
Cash flows from noncapital financing activities:	
Cash received from local contributions and donations	30,500
Cash received from state and federal grants	718,649
Net cash provided by noncapital financing activities	749,149
Cash flows from capital and related financing activities:	
Acquisition of Capital Assets	(6,626)
Net cash used by capital and related financing activities	(6,626)
Net change in cash and cash equivalents	(79,270)
Cash and Cash Equivalents at beginning of year	1,058,467
Cash and Cash Equivalents at end of year	979,197

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

Operating loss	(875,611)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	40,812
Change in assets, deferred outflows, liabilities, and deferred outflows:	
Decrease in accounts receivable	93,391
Decrease in intergovernmental receivable	12,804
Increase in deferred outflows	(402,036)
Decrease in accounts payable	(34,241)
Increase in deferred inflows	115,101
Increase in accrued wages and benefits	55,383
Increase in intergovernmental payable	7,699
Increase in net pension liability	164,905
Net cash used for operating activities	$ (821,793)

Noncash Transactions: The School had outstanding intergovernmental receivables related to non-operating grants of $135,660 at June 30, 2017.

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-Dayton View Campus (the "School"), formally known as Dayton View 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 grade three 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 October 5, 2009 the School officially changed its name from Dayton View Academy School to Dayton Leadership Academies-Dayton View 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 2001 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. The sponsor contract was renewed for the period of July 1, 2011 through June 30, 2013. The sponsor contract was renewed for the period of July 1, 2013 through June 30, 2015. The sponsor contract was renewed for an additional year through June 30, 2016. The sponsor contract was renewed for an additional periods of one year through June 30, 2017, June 30, 2018, and June 30, 2019.

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 14)

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and change 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, deferred outflows, all liabilities and deferred inflows associated with the operation of the School are included on the statement of net position. The statement of revenues, expenses and change 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 expense 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.

NOTE 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 also maintains a health reimbursement account which is presented on the Statement of Net Position as “Segregated Cash.”

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 $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
Buildings	50 years
Building Improvements	25 years
Furniture and Equipment	5 years

H. 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.

I. 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.

J. 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)

K. 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.

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 $66,871 as of June 30, 2017.

M. Deferred Outflows/Deferred Inflows

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)

N. Pensions

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

O. Accrued Liabilities and Long-Term Obligations

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Articles of Incorporation, Article VI, states that the assets of the School may be invested in obligations issued or guaranteed by the United States of America or any agency thereof, obligations of state governments and municipal corporations, real estate mortgage, savings deposits, corporate bonds, and notes and carefully selected preferred stocks.

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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, $711,562 of the School's bank balance of $961,562 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution. At June 30, 2017, the carrying amount of the School's deposits was $979,197. The School had a shared services deposit in transit of $80,648 causing the carrying value to exceed the bank balance.

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

The School held no investments during fiscal year 2017.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental (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:

State Foundation 2017 Adjustment	$14,649
SERS Refund	10,718
Food Service Subsidy	23,288
Title VI-B Grant	3,708
Title I Grant	87,231
Title II-A Grant	21,433
Total Intergovernmental Receivable	$161,027

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Capital Assets, Being Depreciated:				
Building	$36,446	$0	$0	$36,446
Furniture and Equipment	195,229	6,626	0	201,855
Less Accumulated Depreciation:				
Building	(4,527)	(1,566)	0	(6,093)
Furniture and Equipment	(104,998)	(39,246)	0	(144,244)
Capital Assets, Net	$122,150	($34,186)	$0	$87,964

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, 2017, 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 $9,950,174 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

Net Pension Liability

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. Nothing was allocated to the Health Care Fund for fiscal year 2017.

The School's contractually required contribution to SERS was $59,328 for fiscal year 2017. Of this amount $948 is reported as an intergovernmental payable.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The School's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65 or 35 years of service and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $188,427 for fiscal year 2017. Of this amount $19,026 is reported as an intergovernmental payable.

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, 2016, 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	STRS	Total
Proportionate Share of the Net Pension Liability	$1,138,475	$4,444,898	$5,583,373
Proportion of the Net Pension Liability	0.015555%	0.01327905%	
Pension Expense	$129,083	$334,856	$463,939

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$16,166	$180,537	$196,703
Net difference between projected and actual earnings on pension plan investments	78,314	350,936	429,250
Changes in assumptions	75,999	0	75,999
School contributions subsequent to the measurement date	59,328	188,427	247,755
Total Deferred Outflows of Resources	$229,807	$719,900	$949,707
Deferred Inflows of Resources			
Changes in proportion share	$265,446	$713,001	$978,447
Difference between School contributions and proportionate share of contributions	4,415	27,893	32,308
Total Deferred Inflows of Resources	$269,861	$740,894	$1,010,755

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

$247,755 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	($72,864)	($125,553)	($198,417)
2019	(72,859)	(125,553)	(198,412)
2020	19,345	38,591	57,936
2021	26,996	3,094	30,090
Total	($99,382)	($209,421)	($308,803)

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, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 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)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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.

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$1,507,270	$1,138,475	$829,778

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected rate of return reflects diversification among the asset class and therefore is not a weighted average return of the individual asset classes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$5,906,909	$4,444,898	$3,211,606

Changes between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Postemployment Benefits
In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan
Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. 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. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were $6,640, $7,527 and $8,694, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS allocated 0 percent of the employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0 respectively.

NOTE 9 – EMPLOYEE BENEFITS

The School has elected to provide employee medical benefits through Anthem. The employees pay 25% of the cost of the monthly premium while the Board of Education pays 75% of the cost. The percentage varies depending upon the plan elected by the employee. The School also provides life insurance through Lincoln National Life Insurance.

NOTE 10 – RELATED PARTY TRANSACTIONS

A. Alliance Edison, LLC (AE)

The School leases its facilities and land from Alliance Edison, LLC (AE). The lease expense for the year ended June 30, 2017 was $8,731. Additionally, the School paid Alliance Edison, LLC, $21,195 for real estate taxes and $5,525 for property rental accounting services. AE'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

Dayton Leadership Academies-Dayton View Campus and Dayton Leadership Academies-Early Learning Academy share the same Board of Governance.

C. Thomas B. Fordham Foundation

The School contract requires 2.0 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, 2017 were $50,355.

D. Early Learning Campus

The School provided staff to the Early Learning Campus through a purchased services contract. The School received reimbursement from the Early Learning Academy totaling $1,251,108 during fiscal year 2017.

NOTE 11 – LEASES

The School subleases a building and 5.8494 acres through Alliance Edison (AE). (See note 10A). AE leases the land from the Dayton Metropolitan Housing Authority (DMHA). The term of the lease commenced on July 1, 2009 through June 30, 2014. The School subsequently renewed the lease and the current lease term is effective from July 2015 through July 2020. The School agreed to pay AE, as rent for the land, an amount equal to the land lease owed to the DMHA; plus 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. Rent paid for the land and building for the fiscal year ended June 30, 2017 was $8,731.

NOTE 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.

NOTE 12 – CONTINGENCIES (continued)

B. State Funding

The School's 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 Founding 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 pas 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 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 2017.

As of the date of this report, ODE finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School. These adjustments resulted in a receivable of $14,649, which was paid to the School in fiscal year 2018.

NOTE 13 – PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased services expenses for services rendered by various vendors were as follows:

Professional and technical services	$	645,461
Property Services		292,802
Travel and meetings		13,777
Communications		44,241
Utilities		113,422
Food Service		296,530
Tuition		21,485
Transportation		96,444
Other		1,800
	$	1,525,962

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association –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.

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 $15,627 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 15 – LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2017 were as follows:

Description	Outstanding 06/30/16	Additions	Deductions	Outstanding 06/30/17
Net Pension Liability				
SERS	$1,054,983	$83,492	$0	$1,138,475
STRS	4,363,485	81,413	0	4,444,898
Total	$5,418,468	$164,905	$0	$5,583,373

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School's financial statements as the School does not have any GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

NOTE 17 – SUBSEQUENT EVENTS

The Board on February 26, 2018 approved and submitted to the Ohio Department of Education a request to combine IRNs for sister schools, Dayton Leadership Academies – Dayton View Campus and Dayton Leadership Academies – Early Learning Academy.

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Dayton Leadership Academies - Dayton View Campus
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 Four Fiscal Years (1)

	2016	2015	2014	2013
The School 's Proportionate of the Net Pension Liability	0.015555%	0.018489%	0.023002%	0.023002%
The School 's Proportionate Share of the Net Pension Liability	1,138,475	1,054,983	1,164,118	1,367,855
The School 's Covered-Employee Payroll	479,850	591,988	556,306	321,936
The School 's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.26%	178.21%	209.26%	424.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Dayton Leadership Academies - Dayton View Campus
Montgomery County, Ohio
Required Supplementary Information
Schedule of the School 's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
The School 's Proportionate of the Net Pension Liability	0.01327905%	0.01578852%	0.01674552%	0.01674552%
The School 's Proportionate Share of the Net Pension Liability	4,444,898	4,363,485	4,073,090	4,851,838
The School 's Covered-Employee Payroll	1,303,607	1,769,571	1,212,846	1,474,108
The School 's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	340.97%	246.58%	335.83%	329.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 59,328	$ 67,179	$ 78,024	$ 77,104	$ 44,556	$ 162,252	$ 130,393	$ 96,770	$ 31,592	$ 83,268
Contributions in Relation to the Contractually Required Contribution	(59,328)	(67,179)	(78,024)	(77,104)	(44,556)	(162,252)	(130,393)	(96,770)	(31,592)	(83,268)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered-Employee Payroll	$ 423,771	$ 479,850	$ 591,988	$ 556,306	$ 321,936	$ 1,206,335	$ 1,037,335	$ 714,697	$ 321,057	$ 847,943
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Dayton Leadership Academies - Dayton View Campus
Montgomery County, Ohio
Required Supplementary Information
Schedule of the School's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 188,427	$ 182,505	$ 247,740	$ 157,670	$ 191,634	$ 219,538	$ 228,339	$ 221,832	$ 303,877	$ 167,984
Contributions in Relation to the Contractually Required Contribution	(188,427)	(182,505)	(247,740)	(157,670)	(191,634)	(219,538)	(228,339)	(221,832)	(303,877)	(167,984)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered-Employee Payroll	$ 1,345,907	$ 1,303,607	$ 1,769,571	$ 1,212,846	$ 1,474,108	$ 1,688,754	$ 1,756,454	$ 1,706,400	$ 2,337,515	$ 1,292,185
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Dayton Leadership Academies - Dayton View Campus
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 - Dayton View Campus, Montgomery County, (the School) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 7, 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.

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Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
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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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 7, 2018

Dayton Leadership Academies
Alliance Community Schools, Inc.

Dayton View – Early Learning Academy
1416 West Riverview Avenue
Dayton, Ohio 45402
Phone: 937-567-9426
Fax: 937-567-9446
www.daytonleadershipacademies.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	UNSUPPORTED EXPENDITURES	Corrective Action Taken and Finding is Fully Corrected	Repaid under audit
2016-002	ALLOWABLE COSTS/COST PRINCIPLES (TIME AND EFFORT CERTIFICATIONS)	Corrective Action Taken and Finding is Fully Corrected	FY17 Time and Effort and Single Funding Certifications were completed and internal controls put in place to ensure documentation is consistent. School was not subject to Single audit.

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Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES – DAYTON VIEW

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
AUGUST 30, 2018

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