DAYTON LEADERSHIP ACADEMIES - EARLY LEARNING ACADEMY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES – EARLY LEARNING ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2017

TABLE OF CONTENTS

This page intentionally left blank.

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 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 - Early Learning Academy, Montgomery County, 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 1, 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 1, 2018

**DAYTON LEADERSHIP ACADEMIES-
EARLY LEARNING ACADEMY
MONTGOMERY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 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 increased $127,072 from fiscal year 2016.
- The School saw the FTE counts increase by over twelve percent that helped increase the revenues for the School by fourteen percent.
- The School reports no long term debt although accounts payable of $60,273 is seven percent of the available net position.

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 and liabilities using the full accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net position for fiscal year 2017 and fiscal year 2016:

(Table 1)
Net Position

	2017	2016	Change
Assets:			
Current Assets	$940,595	$870,165	$70,430
Depreciable Capital Assets, Net	14,348	28,531	(14,183)
Total Assets	954,943	898,696	56,247
Deferred Outflows of Resources	8,810	6,129	2,681
Liabilities:			
Current Liabilities	60,273	133,279	(73,006)
Non-Current Liabilities-NPL	29,950	26,642	3,308
Total Liabilities	90,223	159,921	(69,698)
Deferred Inflows of Resources	2,437	883	1,554
Net Position:			
Net Investment in Capital Assets	14,348	28,531	(14,183)
Restricted	94,192	10,861	83,331
Unrestricted	762,553	704,629	57,924
Total Net Position	$871,093	$744,021	$127,072

Total assets increased $56,247 as the School received additional local and federal grant funding during the year that increased the cash balance. During fiscal year 2016, the School saw a significant increase in accounts payable of $125,136 that were paid in a more timely fashion during the 2017 fiscal 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:			
Charges for Services	$0	$2,400	($2,400)
Foundation payments	1,117,869	978,069	139,800
Other operating revenues	0	49	(49)
Total operating revenues	1,117,869	980,518	137,351
Non-Operating Revenues:			
Federal and state grants	538,270	354,334	183,936
Local contributions and donations	15,000	100,000	(85,000)
Proceeds on sale of assets	0	31,115	(31,115)
Total Non-Operating Revenues	553,270	485,449	67,821
Total Revenues	1,671,139	1,465,967	205,172
Operating Expenses:			
Fringe benefits	231	4,869	(4,638)
Purchased services	1,417,709	1,225,211	192,498
Materials and supplies	90,198	64,186	26,012
Depreciation	14,183	14,183	0
Other operating expenses	21,746	168,599	(146,853)
Total operating expenses	1,544,067	1,477,048	67,019
Change in Net Position	127,072	(11,081)	$138,153
Net Position at Beginning of Year	744,021	755,102	
Net Position at End of Year	$871,093	$744,021	

There was an increase in total revenues of $205,172 and an increase in operating expenses of $67,019 from fiscal year 2016 as the School continued to increase enrollment from being closed in fiscal year 2014. The largest increase in revenues related to federal grants where the School was able to classify more students in the title programs.

The purchased services are high as the School contracts with Dayton View Campus for teaching services and other expenses for reimbursements for other costs.

Capital Assets

	Balance 6/30/17	Balance 6/30/16
Capital Assets, Being Depreciated:		
Furniture and Equipment	70,914	70,914
Less Accumulated Depreciation:		
Furniture and Equipment	(56,566)	(42,383)
Capital Assets, Net	$14,348	$28,531

At the end of fiscal year 2017, the School had $14,348 (net of accumulated depreciation) invested in 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 172 FTE which will increase the foundation significantly 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-Early Learning Academy, 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, 2017

Assets:	
Current assets:	
Cash and cash equivalents	$ 762,308
Intergovernmental receivable	178,287
Total current assets	940,595
Non-current assets:	
Depreciable Capital assets, net	14,348
Total non-current assets	14,348
Total Assets	954,943
Deferred Outflows of Resources:	
Pension	8,810
Total Deferred Outflows of Resources:	8,810
Liabilities:	
Current liabilities	
Accounts payable	60,273
Total current liabilities	60,273
Non-current liabilities	
Net Pension Liability	29,950
Total Non-current liabilities	29,950
Total Liabilities	90,223
Deferred Inflows of Resources:	
Pension	2,437
Total Deferred Inflows of Resources:	2,437
Net Position:	
Net investment in capital assets	14,348
Restricted	94,192
Unrestricted	762,553
Total Net Position	$ 871,093

See accompanying notes to the basic financial statements

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

For the Fiscal Year Ended June 30, 2017

Operating Revenues:	
Foundation payments	$ 1,117,869
Total operating revenues	1,117,869
Operating Expenses:	
Fringe benefits	231
Purchased services	1,417,709
Materials and supplies	90,198
Depreciation	14,183
Other operating expenses	21,746
Total operating expenses	1,544,067
Operating Loss	(426,198)
Non-Operating Revenues:	
Federal and state grants	538,270
Local contributions and donations	15,000
Total non-operating revenues	553,270
Change in net position	127,072
Net position at beginning of year	744,021
Net position at end of year	$ 871,093

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, 2017

Change in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,107,208
Cash payments for contract services	(1,504,510)
Cash payments for supplies and materials	(76,423)
Cash payments for other expenses	(21,621)
Net cash used for operating activities	(495,346)
Cash flows from noncapital financing activities:	
Cash received from local contributions and donations	15,000
Cash received from state and federal grants	506,705
Net cash provided by noncapital financing activities	521,705
Net change in cash and cash equivalents	26,359
Cash and Cash Equivalents at beginning of year	735,949
Cash and Cash Equivalents at end of year	762,308

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

Operating loss	(426,198)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	14,183
Change in assets and liabilities:	
Increase in intergovernmental receivable	(12,506)
Decrease in accounts payable	(73,006)
Increase in deferred outflows	(2,681)
Increase in deferred inflows	1,554
Increase in net pension liability	3,308
Net cash used for operating activities	$ (495,346)

Noncash Transactions: The School had outstanding intergovernmental receivables related to non-operating grants of $165,781 at June 30, 2017.

See accompanying notes to the basic financial statements

This page intentionally left blank.

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 periods from July 1, 2015 to June 30, 2016 and 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 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 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 2017 with an FTE count of 143.

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 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 and all liabilities 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 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

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.

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

J. Accrued Liabilities and Long-Term Obligations

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $94,192 as of June 30, 2017 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.

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, $598,480 of the School's bank balance of $848,480 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution. At June 30, 2017, the carrying amount of the School's deposits was $762,308.

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

The School held no investments during fiscal year 2017.

NOTE 4 – RECEIVABLES

The School had the following intergovernmental receivables at June 30, 2017:

Description	Amount
State Foundation Adjustment	$10,661
SERS Refund	1,845
Federal Food Subsidy	18,443
Title VI-B Grant	1,889
Title I Grant	64,457
Title II Grant	13,440
Miscellaneous Federal Grants	67,552
Total	$178,287

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:				
Furniture and Equipment	$ 70,914	$ -	$ -	$ 70,914
Less Accumulated Depreciation:				
Furniture and Equipment	(42,383)	(14,183)		(56,566)
Capital Assets, Net	$ 28,531	($14,183)	$0	$14,348

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 $2,076 for fiscal year 2017 with 100 percent being contributed for the year.

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, 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
Proportionate Share of the Net Pension Liability	$29,950
Proportion of the Net Pension Liability	0.0004092%
Pension Expense	$3,396

At June 30, 2017, 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	$ 402
Net difference between projected and actual earnings on pension plan investments	2,545
Changes in proportion share	1,788
Changes in assumptions	1,999
School District contributions subsequent to the measurement date	2,076
Total Deferred Outflows of Resources	$ 8,810
Deferred Inflows of Resources	
Changes in proportion share	$ 2,437

$2,076 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:

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Fiscal Year Ending June 30:	SERS
2018	$1,199
2019	1,207
2020	1,199
2021	692
Total	$4,297

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)

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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 asset 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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$39,651	$29,950	$21,829

NOTE 8 – POST EMPLOYMENT BENEFITS

School Employees Retirement System (SERS)

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.

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 $0, $0 and $155, 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.

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, 2017, 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 10)

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 a percentage 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 a percentage 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 a percentage of the shared contracted services and 5) The School shall be responsible for a percentage of any other shared costs. The percentage will be estimated by the Treasurer at the beginning of the school year and reconciled at year-end.

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, 2017 were $23,383.

NOTE 10 – 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, 2017 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 11 – 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	$26,642	$3,308	$0	$29,950

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.

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 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 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 $10,661, 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	$ 1,111,237
Property Services	66,498
Travel and meetings	1,198
Communications	4,754
Utilities	45,759
Food Service	119,202
Transportation	62,377
Other	6,684
Total	$ 1,417,709

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 $8,603 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 - CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2017, the School as 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 16 – SUBSEQUENT EVENT

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

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 Four Fiscal Years (1)

	2016	2015	2014	2013
The School 's Proportionate of the Net Pension Liability	0.0004092%	0.0004669%	0.000446%	0.000446%
The School 's Proportionate Share of the Net Pension Liability	29,950	26,642	22,572	26,522
The School 's Covered-Employee Payroll	21,943	17,777	1,667	204,415
The School 's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	136.49%	149.87%	1354.05%	12.97%
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 - 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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 2,076	$ 3,072	$ 2,343	$ 231	$ 28,291	$ -	$ -	$ 71,838	$ 79,057	$ 17,666
Contributions in Relation to the Contractually Required Contribution	(2,076)	(3,072)	(2,343)	(231)	(28,291)	-	-	(71,838)	(79,057)	(17,666)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered-Employee Payroll	$ 14,829	$ 21,943	$ 17,777	$ 1,667	$ 204,415	$ -	$ -	$ 530,561	$ 803,425	$ 179,898
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%

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 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 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 1, 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	Financial Statement Misstatements	Corrective Action Taken and Finding is Fully Corrected	FY17 GASB68 was corrected and controls in place to make sure the finding is not repeated.

This page intentionally left blank.

Dave Yost • Auditor of State

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
AUGUST 30, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov