



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton Liberty Road
Dayton, OH 45418

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 15, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Dayton Leadership Academies-Dayton Liberty Campus's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. 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 the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net assets increased \$49,067, which represents a seven percent increase from fiscal year 2009.
- Revenues decreased due to cuts at the State level.
- Expenses also decreased as the School restricted spending due to the decrease in revenues.

Using this Financial Report

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

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the School did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net assets for fiscal year 2010 and fiscal year 2009:

(Table 1)			
Net Assets			
	2010	2009	Change
Assets:			
Current Assets	\$1,250,783	\$1,641,501	(\$390,718)
Depreciable Capital Assets, Net	251,208	265,164	(13,956)
Total Assets	1,501,991	1,906,665	(404,674)
Liabilities:			
Current Liabilities	757,792	1,211,533	(453,741)
Net Assets:			
Invested in Capital Assets	251,208	265,164	(13,956)
Unrestricted	492,991	429,968	63,023
Total Net Assets	\$ 744,199	\$ 695,132	\$ 49,067

Total assets decreased \$404,674, because of decreases in receivables for grants as the School received more of the funds during the fiscal year. Liabilities decreased \$453,741 primarily due to a decrease in the Edison payable, which coincides with the decrease in the receivables.

The increase in unrestricted net assets was \$63,023. The School was able to hold expenses in line with revenues for the current fiscal year and came out slightly ahead.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009.

(Table 2)
Change in Net Assets

	2010	2009	Change
Operating Revenues:			
Sales	\$ 3,805	\$ 2,585	\$ 1,220
State Foundation	4,227,783	4,856,956	(629,173)
Miscellaneous	14,724	1,407	13,317
Total Operating Revenues	<u>4,246,312</u>	<u>4,860,948</u>	<u>(614,636)</u>
Non-Operating Revenues:			
Federal and State Grants	1,931,549	1,349,410	582,139
Gifts and Donations	12,500	10,000	2,500
Interest	1,670	6,459	(4,789)
Total Non-Operating Revenues	<u>1,945,719</u>	<u>1,365,869</u>	<u>579,850</u>
Total Revenues	<u>6,192,031</u>	<u>6,226,817</u>	<u>(34,786)</u>
Operating Expenses:			
Purchased Services	5,468,187	5,543,508	(75,321)
Rent	656,445	656,657	(212)
Materials and Supplies	1,697	245	1,452
Depreciation	13,956	13,956	
Other Operating Expenses	2,679	2,830	(151)
Total Operating Expenses	<u>6,142,964</u>	<u>6,217,196</u>	<u>(\$74,232)</u>
Change in Net Assets	49,067	9,621	
Net Assets at Beginning of Year	695,132	685,511	
Net Assets at End of Year	<u>\$ 744,199</u>	<u>\$ 695,132</u>	

Revenues for the fiscal year decreased \$34,786. This decrease is attributed to cuts at the State level, which is also the reason for the large decrease in State Foundation. The large increase in federal and state grants was due to the federal stimulus grant money received.

Salaries for the School are generated by a management company. STRS and SERS are withheld from the State Foundation monthly payments. The decrease in expenses for the fiscal year was one percent, as the School made cuts to coincide with the decrease in revenues.

Capital Assets

At the end of fiscal year 2010 the School had \$251,208, invested in buildings. This represented a decrease of \$13,956 from fiscal year 2009, which was due to the depreciation expense for fiscal year 2010. For more information on capital assets see Note 5 to the basic financial statements.

Debt Administration

The School does not have any outstanding debt at June 30, 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Tammy Emrick, Treasurer at Dayton Leadership Academies-Dayton Liberty Campus, 4401 Dayton-Liberty Road, Dayton, Ohio 45418, or e-mail at nhcpcpa@yahoo.com.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets:

Current Assets:

Cash and Cash Equivalents	\$616,295
Intergovernmental Receivables	634,488
Total Current Assets	<u>1,250,783</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	251,208
Total Assets	<u>1,501,991</u>

Liabilities

Current Liabilities:

Accounts Payable	2,911
Edison Payable	754,881
Total Liabilities	<u>757,792</u>

Net Assets:

Invested in Capital Assets	251,208
Unrestricted	492,991
Total Net Assets	<u><u>\$744,199</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Operating Revenues:	
Sales	\$3,805
State Foundation	4,227,783
Miscellaneous	14,724
Total Operating Revenues	<u>4,246,312</u>
Operating Expenses:	
Purchased Services	5,468,187
Rent	656,445
Materials and Supplies	1,697
Depreciation	13,956
Other Operating Expenses	2,679
Total Operating Expenses	<u>6,142,964</u>
Operating Loss	<u>(1,896,652)</u>
Non-Operating Revenues:	
Federal and State Grants	1,931,549
Gifts and Donations	12,500
Interest	1,670
Total Non-Operating Revenues	<u>1,945,719</u>
Change in Net Assets	49,067
Net Assets at Beginning of Year	<u>695,132</u>
Net Assets at End of Year	<u><u>\$744,199</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Sales	\$3,805
Cash Received from State of Ohio	4,211,583
Cash Received from Miscellaneous Sources	14,724
Cash Payments to Suppliers for Goods and Services	(6,580,070)
Cash Payments to Others	<u>(2,679)</u>

Net Cash Used for Operating Activities (2,352,637)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	2,068,069
Gifts and Donations	<u>12,500</u>

Net Cash Provided by Noncapital Financing Activities 2,080,569

Cash Flows from Investing Activities:

Interest	<u>3,193</u>
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Net Decrease in Cash and Cash Equivalents (268,875)

Cash and Cash Equivalents at Beginning of Year 885,170

Cash and Cash Equivalents at End of Year \$616,295

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	<u>(\$1,896,652)</u>
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**Adjustments to Reconcile Operating
Loss to Net Cash Used for Operating Activities:**

Depreciation	13,956
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(16,200)
Decrease in Accounts Payable	(927)
Decrease in Edison Payable	<u>(452,814)</u>
Total Adjustments	<u>(455,985)</u>

Net Cash Used for Operating Activities (\$2,352,637)

Noncash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$618,288 at June 30, 2010.

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The School qualifies as an exempt organization under Section 5011(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 sponsor contract with Thomas B. Fordham Foundation was renewed for the period July 1, 2010 through June 30, 2011.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Expenses

Expenses are recognized at the time they are incurred.

F. Cash and Cash Equivalents

During fiscal year 2010, the School's investments were limited to a repurchase agreement, which is reported at fair value, based on the quoted market price.

Investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents.

G. Capital Assets

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over 25 years.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists of capital assets, net of accumulated depreciation. The School has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets as of June 30, 2010.

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenues

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

K. Estimates

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

L. Budgetary Process

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

3. DEPOSITS AND INVESTMENTS

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 and common stocks.

A. Investments

As of June 30, 2010, the School's only investment was a repurchase agreement with a fair value of \$804,398 and a maturity of less than 30 days.

B. Interest Rate Risk

The School has no investment policy that addresses interest rate risk.

C. Credit Risk

The underlying investment in the repurchase agreement is a Federal National Mortgage Association Note which carries a rating of Aaa by Moody's. The School has no investment policy that addresses credit risk.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental (State Foundation and Federal and State grants). All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Food Service Subsidy	\$33,580
Foundation	16,200
Title I Grant	336,521
Title II-D Grant	3,807
Safe and Drug Free Schools Grant	13,424
ECSE Grant	3,234
Title II-A Grant	88,003
Title I ARRA Grant	42,840
IDEA B ARRA Grant	50,263
IDEA B Grant	43,512
ECSE ARRA Grant	3,104
Total Intergovernmental Receivables	\$634,488

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deductions	Balance 6/30/10
Capital Assets, Being Depreciated:				
Building	\$348,900			\$348,900
Less Accumulated Depreciation:				
Building	(83,736)	(\$13,956)		(97,692)
Governmental Activities Capital Assets, Net	\$265,164	(\$13,956)	\$0	\$251,208

6. RISK MANAGEMENT

Property and Liability

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, 2010, the School carried insurance purchased through Alliant Insurance Services, Inc. as directed by the School's management company, Edison Learning, Inc. for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educators legal liability, employment practices liability, and directors and officers liability insurance.

The general liability provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The educators legal liability provides \$1,000,000 per claim and \$1,000,000 in the aggregate with a \$10,000 deductible. The automobile liability provides \$1,000,000 per occurrence and \$1,000,000 with no deductible. The property insurance provides \$3,728,308 for business personal property and carries a \$1,000 deductible. The employee dishonesty coverage carries a \$5,000 deductible and has a \$500,000 limit. The employment practices liability insurance provides a \$2,000,000 limit per claim with a \$10,000 deductible. The directors & officers liability insurance provides a \$1,000,000 limit per claim with a \$5,000 deductible. Excess liability is provided at a \$5,000,000 limit with a \$10,000 self-insured retention.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. Alliance Community Schools, Inc.'s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$71,838, \$79,057, and \$17,666, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description – Alliance Community Schools, Inc. participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Alliance Community Schools, Inc's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were, \$308,838, \$307,766, and \$219,470, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$17,834 made by the School and \$12,739 made by the plan members.

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – Alliance Community Schools, Inc. participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Alliance Community Schools, Inc.'s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,493, \$36,180, and \$8,061, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,272, \$6,523, and \$1,273, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. Alliance Community Schools, Inc.'s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,757, \$23,674, and \$16,882, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

9. EMPLOYEE BENEFITS

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

10. RELATED PARTY TRANSACTIONS

A. Alliance Facilities Management (AFM)

The School leases its facilities and land from Alliance Facilities Management (AFM). The lease expense for the year ended June 30, 2010 was \$589,299 for the land and \$67,146 for the facilities. AFM's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 11)

B. Board of Governance

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. RELATED PARTY TRANSACTIONS (Continued)

C. Thomas B. Fordham Foundation

The School contract requires one percent of the total State foundation payment to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total cash payments made during fiscal year 2010 were \$37,428.

11. LEASES

The School subleases a building and 6.5588 acres together with the non-exclusive right to use and occupy some common areas through a related nonprofit organization, Alliance Facilities Management (AFM). (See note 10A.) The term of the original lease commenced on August 1, 1999 and ran through June 30, 2004. The School had an option to renew the lease for four additional terms of five years. The School renewed the lease for the period July 1, 2004 through June 30, 2009. The lease was renewed again for the period July 1, 2009 through June 30, 2014. AFM leases the land from the Dixon United Methodist Church. The School agreed to pay AFM, as rent for the land, an amount based on student enrollment each month. For the fiscal year 2010, the amount was \$8.60 per student. This amount increases by three percent in August each year. Rent paid for the land for the fiscal year ended June 30, 2010 was \$589,299.

The lease also states the School must pay AFM for rent of the building, an amount equal to the debt service relating to any financing obtained; plus loan closing costs, ongoing loan administration costs associated with any financing secured by the premises, including but not limited to, costs associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AFM, plus \$5,000 per fiscal year. Lease payments for the building for the fiscal year ended June 30, 2010 were \$67,146.

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an adjustment of \$16,200 that the School was underfunded during fiscal year 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2010, purchased services expenses for services rendered by various vendors were as follows:

Management Company Fees	\$5,408,411
Alliance Facilities Management	22,348
Sponsorship Fees	37,428
Total	<u>\$5,468,187</u>

14. AGREEMENT WITH EDISONLEARNING, INC.

The School contracted with EdisonLearning, Inc, to provide educational programs that offer educational excellence and a laboratory for educational innovation based on EdisonLearning, Inc.'s unique school design, comprehensive educational programs, and management principles. The term of the contract was July 1, 2009 through June 30, 2010. The contract may be renewed for an additional five year term and cannot extend beyond the term of the School's contract with the Thomas B. Fordham Foundation. Under the contract, EdisonLearning, Inc. is responsible and accountable to Alliance Community School, Inc.'s Board of Trustees for the administration, operation, and performance of the School in accordance with the School's contract with the Thomas B. Fordham Foundation to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to EdisonLearning, Inc. all qualified gross revenue defined in the contract as "Appendix F", sponsorship fees and rent and common area rental. The following is a summary of current payment activity to EdisonLearning, Inc.:

Amount due current fiscal year	\$5,468,187
Amount remitted current fiscal year	<u>(4,713,306)</u>
Edison Payable	<u>\$ 754,881</u>

2. The School's Financial Responsibility

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

3. EdisonLearning, Inc. Financial Responsibilities

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. AGREEMENT WITH EDISONLEARNING, INC. (Continued)

4. Budget

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

B. Personnel

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

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

C. Agreement Termination

1. Termination by the School

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

2. Termination by EdisonLearning, Inc.

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

15. EDISONLEARNING, INC. EXPENSES

For the fiscal year ended June 30, 2010, Edison Learning, Inc. incurred the following expenses on behalf of the School.

	<u>2010</u>
Expenses:	
Salaries, Wages and Employee Benefits	\$3,116,540
Professional and Technical Services	572,363
Property Services	661,070
Travel	18,968
Professional Development and Recruitment	24,125
Utilities	111,640
Contracted Craft or Trade Services	423,948
Transportation	16,547
Other Purchased Services	14,563
Books, Periodicals and Films	73,166
Other Supplies	121,408
Other Direct Costs	14,617
Total Expenses	<u>\$5,168,955</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

16. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association – The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$94,699	\$94,699
National School Lunch Program	10.555	229,590	229,590
Total Child Nutrition Cluster		<u>324,289</u>	<u>324,289</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	14,794	15,857
Fresh Fruit and Vegetable Program	10.582	40,910	44,746
Total United States Department of Agriculture		<u>379,993</u>	<u>384,892</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Education</i>			
Title 1 Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	736,711	693,110
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	181,995	238,505
Total Title I Part A Cluster		<u>918,706</u>	<u>931,615</u>
Special Education Cluster:			
Special Education Grants to States	84.027	257,076	166,993
ARRA - Special Education Grants to States - Recovery Act	84.391	38,244	40,167
Special Education Preschool Grants	84.173	184	
Total Special Education Cluster		<u>295,504</u>	<u>207,160</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	1,232	11,479
Educational Technology State Grants	84.318	7,093	7,894
Improving Teacher Quality State Grants	84.367	105,141	160,778
School Improvement Grants	84.377	51,862	13,366
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants - Recovery Act	84.394	287,852	287,852
Total United States Department of Education		<u>1,667,390</u>	<u>1,620,144</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Montgomery County Educational Service Center:</i>			
Medical Assistance Program	93.778	1,023	
Total U.S. Department of Health and Human Services		<u>1,023</u>	
Total Federal Assistance		<u>\$2,048,406</u>	<u>\$2,005,036</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – MEDICAL ASSISTANCE PROGRAM

As of July 1, 2005, the Medical Assistance Program (CFDA #93.778) no longer exists as a funding stream. Settlement payments for services rendered prior to June 30, 2005 are reported as receipts only on the Schedule.



Dave Yost • Auditor of State

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

Dayton Leadership Academies - Dayton Liberty Campus
Montgomery County
4401 Dayton Liberty Road
Dayton, OH 45418

To the Governing Board:

We have audited the financial statements of the business-type activities, of Dayton Leadership Academies - Dayton Liberty Campus, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management, Governing Board, the audit committee, the Thomas B. Fordham Foundation, Edison Learning, Inc, and federal awarding agencies and pass-through entities, and others within the School. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

March 15, 2011



Dave Yost • Auditor of State

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

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton Liberty Road
Dayton, Ohio 45418

To the Governing Board:

Compliance

We have audited the compliance of Dayton Leadership Academies - Dayton Liberty Campus (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Dayton Leadership Academies - Dayton Liberty Campus's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the Dayton Leadership Academies – Dayton Liberty Campus complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2010-001 and 2010-002.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-001 to be a material weakness.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 15, 2011.

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



Dave Yost
Auditor of State

March 15, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 National School Lunch Program – CFDA #10.555 Title I, Part A Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA - Title I Grants to Local Educational Agencies – CFDA #84.389
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-001
CFDA Title and Number	State Fiscal Stabilization Fund – Education State Grants – Recovery Act, CFDA 84.394
Federal Award Number / Year	2010
Federal Agency	United States Department of Agriculture United States Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

At a minimum, the Schedule shall:

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

The School received federal funds from the Ohio Department of Education and remitted those funds to the Management Company (Edison Schools) for expenditure. The Management Company received and disbursed Federal and other money on behalf of the School and also performed the School’s accounting functions. Although the federal dollars were remitted to the management company, the federal dollars were in the name of the School, and the School had the ultimate responsibility for ensuring proper posting and expenditure of all federal dollars.

**FINDING NUMBER 2010-001
 (Continued)**

The School's 2010 Schedule of Federal Awards Receipts and Expenditures, which was presented on the cash basis of accounting, had the following errors:

- Receipts and Expenditures for the ARRA-State Fiscal Stabilization Fund (SFSF)- Education State Grants were understated by \$287,852,
- In addition, several other Comprehensive Continuous Improvement (CCIP) grants had insignificant variances between reported federal expenditures and actual federal expenditures.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §__.310(b), due care should be taken in the preparation of the Schedule of Federal Awards Receipts and Expenditures. The Schedule should be reviewed after preparation and tied to the underlying cash reports of the School for accuracy.

Official's Response: See page 34 for response.

Finding Number	2010-002
CFDA Title and Number	ARRA - Title I Grants to Local Educational Agencies – Recovery Act CFDA #84.389
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or sub-grants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo requires the reporting of three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported. These elements include: the identity of the vendor by reporting D-U-N-S number; the amount of payment; and a description of what was obtained in exchange for payment. Additionally, the **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding.

**FINDING 2010-002
(Continued)**

Among the items to be reported:

- LEAs are required to report the number of jobs created or retained with ARRA or EdJobs funds during the reporting quarter in full time equivalencies (FTE). A job is considered to be created or retained if the position is funded in total or part with an ARRA grant or EdJobs funding. In addition to the FTE for positions funded by the LEA with an ARRA grant or EdJobs funding, each LEA must calculate or obtain from their vendors an estimate of the FTE for positions retained or created with ARRA funds when the vendor provides personnel services to the LEA.
- The vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During Fiscal Year 2010, the School failed to report any FTE's related to the Title I ARRA program. Additionally, the School purchased supplies with Title I ARRA monies from Scientific Learning Corp, and Achieve 3000, Inc. These purchases were not reported to ODE on the 1512 ARRA Subrecipient Vendor report in accordance with the Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance.

The School should implement procedures over the reporting process to verify that all ARRA related FTE's and vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient FTE and Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding.

Official's Response: See page 34 for response.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards	No	Repeated as Finding 2010-001

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	Reconciliations will be prepared when drawdowns are requested and backup documentation will be sent to the treasurer along with a schedule that lists allocation, expenditures, receipts and remaining allocation for the grant in question. Before submitting the schedule of federal assistance to the auditor, the treasurer and regional controller for EdisonLearning will verify the accuracy of the said schedule.	6/30/11	Tammy Emrick, Treasurer Jennifer Charles, Regional Controller Susan Shrank, School Operations Manager Pat Stearns, School Operations Manager
2010-002	The on site manager will e-mail the information to the treasurer, the treasurer then compares the current quarter with the previous quarter, if there are discrepancies, the treasurer will contact the on site manager as well as the regional controller to work out any differences. The treasurer will be provided documentation from Edison Learning for any purchase for supplies or contracted services.	6/30/11	Tammy Emrick, Treasurer Jennifer Charles, Regional Controller



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
4401 Dayton Liberty Road
Dayton, Ohio 45418

To the Governing Board:

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

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

1. We noted the Board revised its anti-harassment policy at its meeting on October 15, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A procedure for documenting any prohibited incident that is reported;
 - 6) A procedure for responding to and investigating any reported incident;

- 7) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 8) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- 9) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

The Board should amend its policy to include these additional requirements.

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

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



Dave Yost
Auditor of State

March 15, 2011



Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES – DAYTON LIBERTY CAMPUS

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**