



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 23, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

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, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net position decreased \$296,141 from fiscal year 2013.
- The School suspended operations for fiscal year 2014 which resulted in minimal revenues and expenses being reduced to \$296,785 which is 13.43% of the fiscal year 2013 expenses.

Using this Financial Report

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2014. 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 2014 and fiscal year 2013:

(Table 1)			
Net Position			
	2014	2013	Change
Assets:			
Current Assets	\$907,753	\$1,291,676	(\$383,923)
Depreciable Capital Assets, Net	249,496	277,777	(28,281)
Total Assets	1,157,249	1,569,453	(412,204)
Liabilities:			
Current Liabilities	51,476	167,539	(116,063)
Net Position:			
Net Investment in Capital Assets	249,496	277,777	(28,281)
Unrestricted	856,277	1,124,137	(267,860)
Total Net Position	\$1,105,773	\$1,401,914	(\$296,141)

Total assets decreased \$412,204 as the School spent down the fiscal year 2013 cash balance during the fiscal year by \$229,495. The School also had \$153,351 in intergovernmental receivables in fiscal year 2013. There were no receivables for fiscal year 2014. The current liabilities decreased by \$116,063 during fiscal year 2014. Net position decreased a total of \$296,141.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013.

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

	2014	2013	Change
Operating Revenues:			
Sales	\$330	\$5,347	\$5,017
State Foundation		2,352,220	2,352,220
Miscellaneous	314	11,364	11,050
Total operating revenues	<u>644</u>	<u>2,368,931</u>	<u>2,368,287</u>
Non-Operating Revenues:			
Federal and state grants		471,385	471,385
Gifts and Donations		350	350
Total Non-Operating Revenues		<u>471,735</u>	<u>471,735</u>
Total Revenues	<u>644</u>	<u>2,840,666</u>	<u>2,840,022</u>
Operating Expenses:			
Salaries	57	1,315,867	1,315,810
Fringe benefits		567,512	567,512
Purchased services	191,281	219,665	28,384
Materials and supplies	6,454	40,069	33,615
Depreciation	28,281	16,588	(11,693)
Other operating expenses	70,712	49,329	(21,383)
Total Expenses	<u>296,785</u>	<u>2,209,030</u>	<u>1,912,245</u>
Change in Net Position			
Net Position at Beginning of Year	(296,141)	631,636	
Net Position at End of Year	<u>1,401,914</u>	<u>770,278</u>	
	<u>\$1,105,773</u>	<u>\$1,401,914</u>	

There was a decrease in revenues of \$2,368,287 and a decrease in expenses of \$1,912,245 from fiscal year 2013 as the School had suspended operation for fiscal year 2014. Community schools receive no support from tax revenues and rely on funding through the state foundation program and federal grants.

Capital Assets

	<u>Balance 6/30/14</u>
Capital Assets, Being Depreciated:	
Building & Building Improvements	\$353,504
Furniture and Equipment	66,465
Less Accumulated Depreciation:	
Building & Building Improvements	(155,565)
Furniture and Equipment	<u>(14,908)</u>
Governmental Activities Capital Assets, Net	<u>\$249,496</u>

At the end of fiscal year 2014 the School had \$249,496, (net of accumulated depreciation) invested in buildings, building improvements and furniture & equipment. For more information on capital assets see Note 5 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Debt

The School has no debt at June 30, 2014.

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, 1416 West Riverview Avenue, Dayton, Ohio 45402, or e-mail at temrickcpa@gmail.com.

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

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets:

Current assets:

Cash and cash equivalents	<u>\$907,753</u>
Total current assets	<u>907,753</u>

Non-current assets:

Depreciable Capital assets	<u>249,496</u>
Total noncurrent assets	<u>249,496</u>

Total Assets	<u>1,157,249</u>
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Liabilities:

Current liabilities

Accounts payable	5,460
Intergovernmental payable	<u>46,016</u>
Total current liabilities	<u>51,476</u>

Total Liabilities	<u>51,476</u>
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Net Position:

Net investment in capital assets	249,496
Unrestricted	<u>856,277</u>
Total Net Position	<u>\$1,105,773</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating Revenues:

Sales	\$330
Other operating revenues	314
Total operating revenues	<u>644</u>

Operating Expenses:

Salaries	57
Purchased services	191,281
Materials and supplies	6,454
Depreciation	28,281
Other operating expenses	70,712
Total operating expenses	<u>296,785</u>

Change in net position:

	(296,141)
Net position at beginning of year	1,401,914
Net position at end of year	<u>\$1,105,773</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from Sales	\$330
Cash received from other operating revenues	1,391
Cash payments for personal services	(50,423)
Cash payments for contract services	(307,149)
Cash payments for supplies and materials	(1,212)
Cash payments for other expenses	(25,783)
Net cash used for operating activities	(382,846)

Cash flows from non-capital financing activities:

Cash received from state and federal grants	153,351
Net cash provided by non-capital financing activities	153,351

Net change in cash and cash equivalents	(229,495)
Cash and Cash Equivalents at beginning of year	1,137,248
Cash and Cash Equivalents at end of year	\$907,753

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

Operating loss	(\$296,141)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	28,281
Change in assets and liabilities:	
Decrease in accounts receivable	1,077
Decrease in accounts payable	(86,206)
Decrease in accrued wages and benefits	(73,292)
Increase in intergovernmental payable	43,435
Net cash used for operating activities	(\$382,846)

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, 2014**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The creation of the School was initially proposed to the Ohio State Board of Education, the sponsor, by the Board of Trustees of Alliance Community Schools, Inc. (the "Board") on November 9, 1998. The Ohio State Board of Education approved the proposal and entered into a contract with the Board, which provided for the commencement of School operations beginning with the 2000 academic year and terminated upon conclusion of fiscal year 2005.

The contract with the Ohio State Board of Education was not renewed and the School entered a sponsor contract with the Thomas B. Fordham Foundation for the period July 1, 2005 through June 30, 2010. The School renewed the sponsor contract with the Thomas B. Fordham Foundation for the period of July 1, 2010 through June 30, 2011, 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 School operates under a five 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 Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14).

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Expenses

Expenses are recognized at the time they are incurred.

F. Equity in Pooled Cash

The School maintains a checking account. All funds of the School are maintained in this account. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents". The School had no investments during fiscal year 2014.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The School had no restricted net position as of June 30, 2014.

I. 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. The School had suspended operations during the fiscal year resulting in very little operating revenues.

J. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Budgetary Process

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

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, \$669,038 of the School's bank balance of \$919,038 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution. At June 30, 2014, the carrying amount of the School's deposits was \$907,753.

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

The School held no investments during fiscal year 2014.

4. RECEIVABLES

The School had no receivables at June 30, 2014.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital Assets, Being Depreciated:				
Building & Building Improvements	\$353,504			\$353,504
Furniture and Equipment	66,465			66,465
Less Accumulated Depreciation:				
Building & Building Improvements	(140,577)	(\$14,988)		(155,565)
Furniture and Equipment	(1,615)	(13,293)		(14,908)
Governmental Activities Capital Assets, Net	<u>\$277,777</u>	<u>(\$28,281)</u>	<u>\$0</u>	<u>\$249,496</u>

6. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2014, the School carried insurance purchased through School Insurance Consultants, for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educators legal liability, employment practices liability, and directors and officers liability insurance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

The general liability provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The employee's benefits liability provides \$1,000,000 per claim and \$3,000,000 in the aggregate with a \$1,000 deductible. The automobile liability provides \$1,000,000 per occurrence with no deductible. The property insurance provides \$2,114,320 for business personal property and carries a \$500 deductible. The Ohio employer's liability provides \$1,000,000 for each employee and \$1,000 in the aggregate. The employment practices liability insurance provides a \$1,000,000 limit per claim with a \$5,000 deductible. The directors & officers liability insurance provides a \$1,000,000 limit per claim with a \$5,000 deductible. Excess liability is provided at a \$5,000,000 limit with \$5,000,000 in the aggregate. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in any of the past three years.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The Alliance Community Schools, Inc. contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

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 a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$231, \$28,291, and \$0, respectively; 100% has been contributed for 2014, 2013 and 2012 fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

A DB or Combined Plan member with five or more years 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 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, 2014, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$5,789, \$141,751, and \$200,265, respectively; 100% has been contributed for 2014, 2013 and 2012 fiscal years.

8. POST-EMPLOYMENT BENEFITS

A. School Teachers Retirement System (STRS)

Plan Description – The School 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$445, \$10,904, and \$15,405, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. School Employee Retirement Systems (SERS)

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

1. Medicare Part B

Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$99.90 for most participants, but could go as high as \$319.70 per month depending on their income. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal 2014, the actuarial required allocation is 0.76 percent of the School's contributions for the years ended June 30, 2014, 2013, and 2012 were \$13, \$1,671, and \$0, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

2. Health Care Plan

ORC 3309.375 and 3309.69 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 HMO's, PPO's, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the year ended June 30, 2014, 2013 and 2012, was \$2, \$1,225 and \$0, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

9. EMPLOYEE BENEFITS

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

10. RELATED PARTY TRANSACTIONS

A. Alliance Facilities Management (AFM)

The School leases its facilities and land from Alliance Facilities Management (AFM). The lease expense for the year ended June 30, 2014 was \$72,743 for the facilities. AFM's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 11)

B. Board of Governance

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RELATED PARTY TRANSACTIONS (Continued)

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, 2014 were \$3,817 related to fiscal year 2013 funding received.

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. Rent paid for the land for the fiscal year ended June 30, 2014 was \$72,743.

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

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in the School owing \$46,016 which is reported on the Statement of Net Position as an intergovernmental payable.

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2014 purchased services expenses for services rendered by various vendors were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. PURCHASED SERVICES (Continued)

Professional and technical services:	\$22,665
Property Services	84,497
Communications	7,968
Utilities	43,539
Food Service	32,238
Other	375
	<u>\$191,281</u>

14. JOINTLY GOVERNED ORGANIZATION

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School made a total of \$4,219 in payments to MDECA for fiscal and EMIS services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2015.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 23, 2015



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Dayton Leadership Academy – Dayton Liberty Campus
Montgomery County
1416 West Riverview Avenue
Dayton, Ohio 45042

To the Board of Education:

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 Academy – Liberty Campus 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. In our report dated March 10, 2014, we noted the Board adopted an anti-harassment policy by November 4, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the 2012 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

February 23, 2015



Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMY- DAYTON LIBERTY CAMPUS

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2015**