DAYTON LEADERSHIP ACADEMY- EARLY LEARNING ACADEMY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES - EARLY LEARNING ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2016

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Leadership Academies – Early Learning Academy, Montgomery County, Ohio (the School), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dayton Leadership Academies – Early Learning Academy, Montgomery County, Ohio, as of June 30, 2016, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2016, the School restated beginning net position. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

November 3, 2017

The discussion and analysis of the Dayton Leadership Academies-Early Learning Academy's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2016. 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 $11,081 from fiscal year 2015.
- The School resumed operations in fiscal year 2015 serving kindergarten to second grade finishing the fiscal year with the full equivalent of 126 students which only increased by one student during fiscal year 2016.
- The School reports no long term debt although accounts payable of $133,279 is eighteen percent of the available net position.

Using this Financial Report

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2016. 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 2016 and fiscal year 2015:

(Table 1)
Net Position

	2016	2015 - Restated	Change
Assets:			
Current Assets	$870,165	$746,342	$123,823
Depreciable Capital Assets, Net	28,531	38,265	(9,734)
Total Assets	898,696	784,607	114,089
Deferred Outflows of Resources	6,129	4,873	1,256
Liabilities:			
Current Liabilities	133,279	8,143	125,136
Non-Current Liabilities	26,642	22,572	4,070
Total Liabilities	159,921	30,715	129,206
Deferred Inflows of Resources	883	3,663	(2,780)
Net Position:			
Net Investment in Capital Assets	28,531	38,265	(9,734)
Restricted	10,861	5,117	5,744
Unrestricted	704,629	711,720	(7,091)
Total Net Position	$744,021	$755,102	($11,081)

Total assets increased $114,089 as the School received additional local and federal grant funding during the year that increased the cash balance. During fiscal year 2016, the School saw a significant increase in accounts payable of $125,136 from fiscal year 2015. The majority of payable, $95,971, was related to the shared services agreement the School has with the Dayton View Campus.

Table 2 shows the changes in net position for fiscal year 2016 and fiscal year 2015.

(Table 2)
Change in Net Position

	2016	2015 Restated	Change
Operating Revenues:			
Sales/Charges for Service	$2,400	$1,600	$800
State Foundation	978,069	919,786	58,283
Miscellaneous	49	48,370	(48,321)
Total operating revenues	980,518	969,756	10,762
Non-Operating Revenues:			
Federal and state grants	354,334	90,387	263,947
Local contributions/donations	100,000	0	100,000
Proceeds on sale of assets	31,115	0	31,115
Total Non-Operating Revenues	485,449	90,387	395,062
Total Revenues	1,465,967	1,060,143	405,824
Operating Expenses:			
Fringe benefits	4,869	1,865	3,004
Purchased services	1,225,211	1,155,657	69,554
Materials and supplies	64,186	12,636	51,550
Depreciation	14,183	28,281	(14,098)
Other operating expenses	168,599	2,903	165,696
Total operating expenses	1,477,048	1,201,342	275,706
Non-Operating Expenses:			
Loss on disposal of capital assets	0	182,950	(182,950)
Change in Net Position	(11,081)	(324,149)	$313,068
Net Position at Beginning of Year	755,102	1,079,251	
Net Position at End of Year	$744,021	$755,102	

There was an increase in total revenues of $405,824 and an increase in operating expenses of $275,706 from fiscal year 2015 as the School continued to ramp up from being closed in fiscal year 2014. The largest increase in revenues related to federal grants where the School was able to classify more students in the title programs.

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

Capital Assets

	Balance 6/30/16	Balance 6/30/15
Capital Assets, Being Depreciated:		
Furniture and Equipment	70,914	66,465
Less Accumulated Depreciation:		
Furniture and Equipment	(42,383)	(28,200)
Governmental Activities Capital Assets, Net	$28,531	$38,265

At the end of fiscal year 2016 the School had $28,531, (net of accumulated depreciation) invested in furniture & equipment. For more information on capital assets see Note 5 to the basic financial statements.

Debt

The School has no debt at June 30, 2016.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Nicki Hagler, Treasurer at Dayton Leadership Academies-Early Learning Academy, 1416 West Riverview Avenue, Dayton, Ohio 45402, or e-mail at nicki@mangen1.com.

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

AS OF JUNE 30, 2016

Assets:	
Current assets:	
Cash and cash equivalents	$ 729,324
Segregated cash and cash equivalents	6,625
Intergovernmental receivable	134,216
Total current assets	870,165
Noncurrent assets:	
Depreciable Capital assets	28,531
Total noncurrent assets	28,531
Total Assets	898,696
Deferred Outflows of Resources:	
Pension	6,129
Total Deferred Outflows of Resources:	6,129
Liabilities:	
Current liabilities	
Accounts payable	133,279
Total current liabilities	133,279
Long term liabilities	
Net Pension Liability	26,642
Total long term liabilities	26,642
Total Liabilities	159,921
Deferred Inflows of Resources:	
Pension	883
Total Deferred Inflows of Resources:	883
Net Position:	
Net investment in capital assets	28,531
Restricted	10,861
Unrestricted	704,629
Total Net Position	$ 744,021

See accompanying notes to the basic financial statements

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

For the Fiscal Year Ended June 30, 2016

Operating Revenues:		
Foundation payments	$	978,069
Charges for services		2,400
Other operating revenues		49
Total operating revenues		980,518
Operating Expenses:		
Fringe benefits		4,869
Purchased services		1,225,211
Materials and supplies		64,186
Depreciation		14,183
Other operating expenses		168,599
Total operating expenses		1,477,048
Operating Loss		(496,530)
Non-Operating Revenues:		
Federal and state grants		354,334
Local contributions and donations:		
Spurlino donation		35,000
Reading lab donation		65,000
Proceeds from sale of capital assets		31,115
Total non-operating revenues		485,449
Change in net position		(11,081)
Net position at beginning of year - restated		755,102
Net position at end of year	$	744,021

See accompanying notes to the basic financial statements

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

For the Fiscal Year Ended June 30, 2016

Change in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 978,069
Cash received from charges for services	2,400
Cash received from other operating revenues	49
Cash payments for personal services	(4,835)
Cash payments for contract services	(1,202,699)
Cash payments for supplies and materials	(48,711)
Cash payments for other expenses	(69,091)
Net cash used for operating activities	(344,818)
Cash flows from noncapital financing activities:	
Cash received from local contributions and donations	100,000
Cash received from state and federal grants	231,002
Net cash provided by noncapital financing activities	331,002
Cash flows from capital and related financing activities:	
Acquisition of Capital Assets	(4,449)
Proceeds from Sale of Capital Assets	31,115
Net cash used by capital and related financing activities	26,666
Net change in cash and cash equivalents	12,850
Cash and Cash Equivalents at beginning of year	723,099
Cash and Cash Equivalents at end of year	735,949

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

Operating loss	(496,530)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	14,183
Change in assets and liabilities:	
Decrease in accounts receivable	12,359
Increase in accounts payable	125,136
Increase in deferred outflows	(1,256)
Decrease in deferred inflows	(2,780)
Increase in net pension liability	4,070
Net cash used for operating activities	$ (344,818)

Noncash Transactions: The School had outstanding intergovernmental receivables related to non-operating grants of $123,828 at June 30, 2016.

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Alliance Community School, Inc. "Doing Business As" Dayton Leadership Academies-Early Learning Academy (the "School"), formally known as Dayton Leadership Academies-Dayton Liberty Campus, is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational literary, scientific, and related teaching service. Specifically, the School's purpose is to be a charter school serving children from kindergarten through second grade. The School, which is part of the state's education program, is to operate or arrange for the operation of schools in the Dayton, Ohio area. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. On July 8, 2009 the School officially changed its name from Dayton Academy School to Dayton Leadership Academies-Dayton Liberty Campus. On June 22, 2015 the School officially changed its name from Dayton Leadership Academies-Dayton Liberty Campus to Dayton Leadership Academies-Early Learning Academy.

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

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

The contract with the Ohio State Board of Education was not renewed and the School entered a sponsor contract with the Thomas B. Fordham Foundation for the period July 1, 2005 through June 30, 2010. The School renewed the sponsor contract with the Thomas B. Fordham Foundation for the period of July 1, 2010 through June 30, 2011, additionally from July 1, 2011 through June 30, 2012, and additionally from July 1, 2012 through June 30, 2013. The sponsor contract was renewed for two more years from July 1, 2013 through June 30, 2015. The contract was renewed for one year from July 1, 2015 to June 30, 2016. The contract is effective from July 1, 2016 to June 30, 2017.

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

The School is associated with the Metropolitan Educational Technology Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14).

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

As of July 1, 2013, the school voluntary suspended its operations in order to focus exclusively on one campus, which is the Dayton View Campus. The school restarted operations on July 1, 2014 under a K-2 program model. The School finished fiscal year 2016 with an FTE count of 127.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deferred Outflows/Inflows of Resources

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

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

F. Expenses

Expenses are recognized at the time they are incurred.

G. Pensions

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

H. Cash and Cash Equivalents

The School maintains a checking account. All funds of the School are maintained in this account. This account is presented on the Statement of Net Position as “Cash and Cash Equivalents”. The School also maintains a health reimbursement account which is presented on the Statement of Net Position as “Segregated Cash and Cash Equivalents.”

I. Capital Assets

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

Description	Estimated Lives
Furniture and Equipment	5 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

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

K. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. The amount of these grants is directly related to the number of students enrolled in the School.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

L. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The School had restricted net position of $10,861 as of June 30, 2016 for federal grant balances.

M. Operating Revenues and Expenses

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

N. Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgetary Process

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

NOTE 3 – DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateralized securities that are in the possession of an outside party. At fiscal year end, $490,485 of the School's bank balance of $740,485 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution. At June 30, 2016, the carrying amount of the School's deposits was $735,949.

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

The School held no investments during fiscal year 2016.

NOTE 4 – RECEIVABLES

The School had the following intergovernmental receivables at June 30, 2016:

Description	Amount
SERS Refund	$2,181
Federal Food Subsidy	8,207
Title VI-B Grant	2,726
Title I Grant	121,102
Total	$134,216

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16
Capital Assets, Being Depreciated:				
Furniture and Equipment	66,465	4,449	-	70,914
Less Accumulated Depreciation:				
Furniture and Equipment	(28,200)	(14,183)		(42,383)
Governmental Activities Capital Assets, Net	$ 38,265	($9,734)	$0	$28,531

NOTE 6 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2016, the School carried insurance purchased through School Insurance Consultants for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educator's legal liability, employment practices liability, and directors and officers liability insurance.

NOTE 6 – RISK MANAGEMENT (continued)

The general liability provides $1,000,000 per occurrence and $3,000,000 in the aggregate with no deductible that also provides a separate $500,000 limit for damaged to rented premises. The automobile liability provides $1,000,000 per occurrence with no deductible. The property insurance provides $12,885,299 for building and contents and carries a $2,500 deductible. The Ohio employers' liability provides $1,000,000 for each employee and $1,000,000 in the aggregate. Excess liability is provided at a $1,000,000 limit with $1,000,000 in the aggregate. Computer equipment is provided at a $1,000,000 limit with a $500 deductible. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in any of the past three years.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Pension Systems

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

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

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years for service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contributions to SERS were $3,072 for the fiscal year 2016.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS
Proportionate Share of the Net Pension Liability	$26,642
Proportion of the Net Pension Liability	0.000467%
Pension Expense	$3,106

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred Outflows of Resources	
actual experience	$ 429
Changes in proportionate share	2,628
School contributions subsequent to the measurement date	3,072
Total Deferred Outflows of Resources	$ 6,129
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$883

$3,072 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS
2017	($526)
2018	(526)
2019	(524)
2020	(598)
Total	($2,174)

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return		7.75 percent net of investments expense, including inflation
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$36,943	$26,642	$17,968

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Changes between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75% percent to 7.5% percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 8 – POST EMPLOYMENT BENEFITS

School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School's surcharge obligation was $0.

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, 2016, 2015, and 2014 was $0, $155, and $2. The full amount has been contributed for all three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

A. Alliance Edison, LLC (AE)

The School leases its facilities and land from Alliance Edison, LLC (AE). Total payments made to AE during the year ended June 30, 2016, were $6,987 for the facilities. AFM's sole purpose is to acquire and hold title to, maintain and develop certain real estate properties for the exclusive support and benefit of a system of educational organizations. (See Note 10)

B. Board of Governance

The School has entered into a Service Agreement with Dayton Leadership Academies-Dayton View Campus. Under the Service Agreement, both schools will operate out of the Dayton View Campus and will share expenses. Expenses will be shared as follows: 1) Executive leadership, support personnel cost and special services teachers (salaries and benefits) will be processed through the Dayton View's payroll system and 33% of that cost will be billed back to the School. 2) Teaching staff (salaries and benefits) for the School will be processed through Dayton View's payroll system and billed back to the School at 100%. 3) The School shall be responsible for 33% of the rent, utilities, and other overhead expenses, including but not limited to, property insurance, lawn upkeep, snow removal, repairs and general maintenance to operate the Dayton View building. 4) The School shall be responsible for 33% of the shared contracted services and 5) The School shall be responsible for 33% of any other shared costs.

C. Thomas B. Fordham Foundation

The School contract requires two percent of all funds received from State foundation revenues to be transferred to the Thomas B. Fordham Foundation for sponsorship fees. Total payments made during the period ended June 30, 2016 were $21,013.

NOTE 10 – LEASES/RENT

The School subleases a building and 6.5588 acres together with the non-exclusive right to use and occupy some common areas through a related nonprofit organization, Alliance Edison, LLC (AE). (See note 9A.) The term of the original lease commenced on August 1, 1999 and ran through June 30, 2004. The School had an option to renew the lease for four additional terms of five years, respectively. The School's current lease is effective from July 21, 2015 through July 20, 2020. The School rents directly from the Dixon United Methodist Church. Rent paid for the building for the fiscal year ended June 30, 2016 was $23,369.

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

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2016 were as follows:

Description	Outstanding 06/30/15	Additions	Deductions	Outstanding 06/30/16
Net Pension Liability				
SERS	$22,572	$4,070	$0	$26,642

NOTE 12 – CONTINGENCIES

A. Grants

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

B. State Funding

The School's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, the School must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School. The final adjustments resulted in a liability of $60,838 which was reduced from fiscal year 2017 community school funding by ODE.

NOTE 13 – PURCHASED SERVICES

For the fiscal year ended June 30, 2016 purchased services expenses for services rendered by various vendors were as follows:

Professional and technical services	$	920,817
Property Services		117,715
Travel and meetings		757
Communications		12,476
Utilities		32,993
Food Service		9,045
Transportation		31,202
Other		100,207
Total	$	1,225,211

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

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

The governing board of META consists of a president, vice-president and nine board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Board. Prior to the merger, the School paid MDECA $820. After the merger, the School paid META $822 for services provided during the fiscal year.

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

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET POSITION

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense. For fiscal year 2016, the beginning balance had to be adjusted as the School did not report GASB 68 transactions, such as the pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense during fiscal year 2015.

Net position June 30, 2015	$776,464
Adjustments:	
Net Pension Liability	(21,362)
Restated Net Position June 30, 2015	$755,102

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73. "Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GAS Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pool and Pool Participants".

GASB Statement No. 72 clarifies the definition fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School's fiscal year 2016 note disclosures; however, there was no effect on the beginning net position.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET POSITION (continued)

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School.

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

	2015	2014	2013
The School 's Proportionate of the Net Pension Liability	0.0004669%	0.000446%	0.000446%
The School 's Proportionate Share of the Net Pension Liability	26,642	22,572	26,522
The School 's Covered-Employee Payroll	17,777	1,667	204,415
The School 's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	149.87%	1354.32%	12.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	$ 3,072	$ 2,343	$ 231	$ 28,291	$ -	$ -	$ 71,838	$ 79,057	$ 17,666	$ 21,101
Contributions in Relation to the Contractually Required Contribution	(3,072)	(2,343)	(231)	(28,291)	-	-	(71,838)	(79,057)	(17,666)	(21,101)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered-Employee Payroll	$ 21,943	$ 17,777	$ 1,667	$ 204,415	$ -	$ -	$ 530,561	$ 803,425	$ 179,898	$ 197,575
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Dayton Leadership Academies – Early Learning Academy, Montgomery County, (the School) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 3, 2017, wherein we noted the School restated beginning net position.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards,* which is described in the accompanying schedule of findings as item 2016-001.

School's Response to Finding

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

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.

Dave Yost
Auditor of State
Columbus, Ohio

November 3, 2017

DAYTON LEADERSHIP ACADEMY - EARLY LEARNING ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance & Finding For Recovery Repaid Under Audit- Unsupported Expenditures

Ohio Rev. Code Section 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

***State ex rel. McClure v. Hageman*, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The School's Dean of Students, Eric Wright was reimbursed for the following expenditures, which were approved by the School's Executive Director, Theodore Wallace and Treasurer, Tammy Emrick that could not be supported with underlying supporting documentation and were therefore, not deemed to be for a proper public purpose:

Date	Check Number	Amount
9/11/2015	101161	$23.75
12/30/2015	101195	41.24
2/16/2016	101209	16.50
5/10/2016	101240	49.50
6/24/2016	101256	59.71
	Total	$190.70

There was no indication that the Board approved these expenditures. Additionally, there was no documentation to support that the payments were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The School's failure to maintain adequate support for these expenditures could result in a loss of accountability over the School's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dean of Students, Eric Wright, Executive Director, Theodore Wallace, Treasurer, Tammy Emrick and the Treasurer's Bonding Company, Travelers Causality and Surety Company of America, jointly and severally in the amount of $190.70 in favor of the Dayton Leadership Academy- Early Learning Academy. Tammy Emrick paid the entire finding amount of $190.70 via check 1486 on November 14, 2017 which was posted to the School's General Fund on November 14, 2017 via receipt number 101286.

Official's Response:

Tammy Emrick paid $190.70 on November 14, 2017 to the School's General Fund.

FINDING 2016-002

Material Weakness - Financial Statement Misstatements

The School prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The School's fiscal year 2016 financial statements contained the following errors that were material and required adjustment or reclassification to the financial statements:

- The School did not report the fiscal year 2015 or fiscal year 2016 GASB 68 net pension liabilities and related deferred outflows of resources, deferred inflows of resources and pension expense for the School Employees Retirement System (SERS) for Business Type Activities on the fiscal year 2015 or fiscal year 2016 financial statements. As a result, the fiscal year 2016 financial statements beginning net position, related to fiscal year 2015 activity, was overstated by $21,362 and the net pension liability, deferred outflows of resources and deferred inflows of resources, related to fiscal year 2016 activity, were understated by $26,642, $6,129 and $883, respectively.

The following error was not adjusted on the 2016 financial statements as it was not material:

- The School reported $6,625 of cash held in a segregated account; these are funds related to the Dayton Leadership Academies Health Reimbursement account; as the Early Learning Center does not have any employees but rather contracts this service through the Dayton View Campus, the transactions related to the Health Reimbursement account should be reported on the Dayton View Campus financial statements.

The School should establish and implement procedures to review its annual financial statements to determine that the financial statements are presented in accordance with applicable accounting guidelines and principles. Lack or failure of controls over the accounts and balances related to GAAP financial reporting could result in errors or irregularities that may go undetected and decrease the reliability of the School's financial reporting.

Official’s Response:

The School did not provide a response to the above finding.

Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES- EARLY LEARNING ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 1, 2018