



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – June 30, 2011	5
Statement of Revenues, Expenses and Change in Net Assets For the Fiscal Year Ended June 30, 2011	6
Statement of Cash Flows For the Fiscal Year Ended June 30, 2011	7
Notes to the Basic Financial Statements	9
Schedule of Federal Awards Receipts and Expenditures For the Fiscal Year Ended June 30, 2011	21
Notes to the Schedule of Federal Awards Receipts and Expenditures	22
Independent Accountants' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	25
Schedule of Findings.....	27
Schedule of Prior Audit Findings.....	29
Independent Accountants' Report on Applying Agreed-Upon Procedure	31

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, Ohio, as of June 30, 2011, and the change in financial position and cash flows, thereof for the for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 9, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of the Dayton Leadership Academies-Dayton Liberty Campus's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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 assets increased \$48,841 from fiscal year 2010.

- State Foundation decreased \$824,445, from fiscal year 2010 due to decreased enrollment.
- Expenses decreased to coincide with revenue cuts.

Using this Financial Report

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

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net assets for fiscal year 2011 and fiscal year 2010:

(Table 1)			
	Net Assets		
	2011	2010	Change
Assets:			
Current Assets	\$1,356,452	\$1,250,783	\$105,669
Depreciable Capital Assets, Net	237,252	251,208	(13,956)
Total Assets	1,593,704	1,501,991	91,713
Liabilities:			
Current Liabilities	800,664	757,792	42,872
Net Assets:			
Invested in Capital Assets	237,252	251,208	(13,956)
Unrestricted	555,788	492,991	62,797
Total Net Assets	\$ 793,040	\$744,199	\$ 48,841

Total assets increased \$91,713, mainly due to federal grant monies being received in FY 2011 which will be spent in FY 2012. Current liabilities also increased due to the federal and state grants receivable because that amount is also shown as a payable to Edison. The increase in the receivable and payable is due to the timing of when grants are received. Net Assets increased \$48,841, a seven percent increase from the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010.

(Table 2)
Change in Net Assets

	2011	2010	Change
Operating Revenues:			
Sales	\$ 6,087	\$ 3,805	\$ 2,282
State Foundation	3,403,338	4,227,783	(824,445)
Miscellaneous	7,191	14,724	(7,533)
Total Operating Revenues	<u>3,416,616</u>	<u>4,246,312</u>	<u>(829,696)</u>
Non-Operating Revenues:			
Federal and State Grants	1,826,340	1,931,549	(105,209)
Gifts and Donations	235	12,500	(12,265)
Interest	304	1,670	(1,366)
Total Non-Operating Revenues	<u>1,826,879</u>	<u>1,945,719</u>	<u>(118,840)</u>
Total Revenues	<u>5,243,495</u>	<u>6,192,031</u>	<u>(948,536)</u>
Operating Expenses:			
Purchased Services	4,485,162	5,468,187	(983,025)
Rent	656,683	656,445	238
Materials and Supplies	20,780	1,697	19,083
Depreciation	13,956	13,956	
Other Expenses	18,073	2,679	15,394
Total Expenses	<u>5,194,654</u>	<u>6,142,964</u>	<u>(\$948,310)</u>
Change in Net Assets	48,841	49,067	
Net Assets at Beginning of Year	<u>744,199</u>	<u>695,132</u>	
Net Assets at End of Year	<u>\$ 793,040</u>	<u>\$ 744,199</u>	

There was a decrease in revenues of \$948,536 and a decrease in expenses of \$948,310 from fiscal year 2010. Community schools receive no support from tax revenues and rely on funding through State foundation. Revenues decreased due to decreased enrollment. The decrease in expenses was the result of lower payments to Edison as staffing levels decreased to coincide with the decrease in revenues.

Capital Assets

At the end of fiscal year 2011 the School had \$237,252, invested in buildings. This represented a decrease of \$13,956 from fiscal year 2010, which was due to the depreciation expense for fiscal year 2011. For more information on capital assets see Note 5 to the basic financial statements.

Contacting the School's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

Assets:

Current Assets:

Equity in Pooled Cash	\$810,810
Intergovernmental Receivables	<u>545,642</u>
Total Current Assets	<u>1,356,452</u>

Non-Current Assets:

Capital Assets:	
Depreciable Capital Assets, Net	<u>237,252</u>
Total Assets	<u>1,593,704</u>

Liabilities:

Current Liabilities:

Accounts Payable	6,180
Intergovernmental Payable	29,037
Edison Payable	<u>765,447</u>
Total Liabilities	<u>800,664</u>

Net Assets:

Invested in Capital Assets	237,252
Unrestricted	<u>555,788</u>
Total Net Assets	<u><u>\$793,040</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Operating Revenues:	
Sales	\$6,087
State Foundation	3,403,338
Miscellaneous	7,191
Total Operating Revenues	<u>3,416,616</u>
Operating Expenses:	
Purchased Services	4,485,162
Rent	656,683
Materials and Supplies	20,780
Depreciation	13,956
Other Expenses	18,073
Total Operating Expenses	<u>5,194,654</u>
Operating Loss	<u>(1,778,038)</u>
Non-Operating Revenues:	
Federal and State Grants	1,826,340
Gifts and Donations	235
Interest	304
Total Non-Operating Revenues	<u>1,826,879</u>
Change in Net Assets	48,841
Net Assets at Beginning of Year	<u>744,199</u>
Net Assets at End of Year	<u><u>\$793,040</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Increase (Decrease) in Equity in Pooled Cash:

Cash Flows from Operating Activities:

Cash Received from Sales	\$6,087
Cash Received from State of Ohio	3,419,538
Cash Received from Miscellaneous Sources	7,191
Cash Payments to Suppliers for Goods and Services	(5,119,753)
Cash Payments to Others	(18,073)
Net Cash Used for Operating Activities	<u>(1,705,010)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	1,898,986
Gifts and Donations	235
Net Cash Provided by Noncapital Financing Activities	<u>1,899,221</u>

Cash Flows from Investing Activities:

Interest	304
Net Increase in Equity in Pooled Cash	<u>194,515</u>

Equity in Pooled Cash at Beginning of Year	<u>616,295</u>
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Equity in Pooled Cash at End of Year	<u><u>\$810,810</u></u>
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Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	<u>(\$1,778,038)</u>
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Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	13,956
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	
Increase in Prepaid Items	
Decrease in Intergovernmental Receivable	16,200
Increase in Intergovernmental Payable	29,037
Increase in Accounts Payable	3,269
Increase in Edison Payable	10,566
Total Adjustments	<u>73,028</u>

Net Cash Used for Operating Activities	<u><u>(\$1,705,010)</u></u>
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Noncash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$545,642 at June 30, 2011.

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, 2011**

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, and additionally from July 1, 2011 through June 30, 2012.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 an interest bearing deposit account. All funds of the School are maintained in this account. This account is presented on the Statement of Net Assets as "Equity in pooled cash".

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method over 25 years.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists of capital assets, net of accumulated depreciation. The School has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets as of June 30, 2011.

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenues

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Estimates

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

L. Budgetary Process

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

3. DEPOSITS AND INVESTMENTS

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, \$566,762 of the School's bank balance of \$816,762 was exposed to custodial credit risk since it was uninsured and uncollateralized with securities held by the pledging financial institution.

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

4. RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental (State Foundation and Federal and State grants). All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Food Service Subsidy	\$ 10,497
Title I Grant	169,703
Title II-D Grant	265
Title I, School Improvement	78,000
ECSE Grant	2,167
Title VI-B Grant	25,018
Title II-A Grant	18,685
Title I ARRA Grant	12,838
Title VI-B ARRA Grant	7,111
Ed Jobs Grant	204,021
Race To The Top Grant	17,337
Total Intergovernmental Receivable	<u><u>\$545,642</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/11</u>
Capital Assets, Being Depreciated:				
Building	\$348,900			\$348,900
Less Accumulated Depreciation:				
Building	<u>(97,692)</u>	<u>(\$13,956)</u>		<u>(111,648)</u>
Governmental Activities Capital Assets, Net	<u>\$251,208</u>	<u>(\$13,956)</u>	<u>\$0</u>	<u>\$237,252</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, 2011, the School carried insurance purchased through Brower Insurance Agency, LLC, for general liability, business personal property, employee dishonesty, excess liability, automobile liability, educators legal liability, employment practices liability, and directors and officers liability insurance.

The general liability provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The 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 employers' 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 – Alliance Community Schools, Inc. contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations and death with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. Alliance Community Schools, Inc.'s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$0, \$71,838, and \$79,057, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2011, 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 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Alliance Community Schools, Inc's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were, \$231,777, \$308,838, and \$307,766, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$21,899 made by the School and \$15,642 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The Alliance Community Schools, Inc's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$0, \$19,493, and \$36,180, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$0, \$4,272, and \$6,523, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. Alliance Community Schools, Inc.'s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$17,289, \$23,757, and \$23,674, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

9. EMPLOYEE BENEFITS

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

10. RELATED PARTY TRANSACTIONS

A. Alliance Facilities Management (AFM)

The School leases its facilities and land from Alliance Facilities Management (AFM). The lease expense for the year ended June 30, 2011 was \$589,299 for the land and \$67,384 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.

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, 2011 were \$56,959.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LEASES

The School subleases a building and 6.5588 acres together with the non-exclusive right to use and occupy some common areas through a related nonprofit organization, Alliance Facilities Management (AFM). (See note 10A.) The term of the original lease commenced on August 1, 1999 and ran through June 30, 2004. The School had an option to renew the lease for four additional terms of five years. The School renewed the lease for the period July 1, 2004 through June 30, 2009. The lease was renewed again for the period July 1, 2009 through June 30, 2014. AFM leases the land from the Dixon United Methodist Church. The School agreed to pay AFM, as rent for the land, an amount based on student enrollment each month. For the fiscal year 2011, the amount was \$8.60 per student. This amount increases by three percent in August each year. Rent paid for the land for the fiscal year ended June 30, 2011 was \$67,384.

The lease also states the School must pay AFM for rent of the building, an amount equal to the debt service relating to any financing obtained; plus loan closing costs, ongoing loan administration costs associated with any financing secured by the premises, including but not limited to, costs associated with satisfying the financial reporting and periodic appraisal requirements; plus out of pocket expenses incurred by AFM, plus \$5,000 per fiscal year. Lease payments for the building for the fiscal year ended June 30, 2011 were \$589,299.

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an adjustment of \$29,037 that the School was overpaid during fiscal year 2011. This amount is reflected as an intergovernmental payable in the accompanying financial statements.

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2011, purchased services expenses for services rendered by various vendors were as follows:

Management Company Fees	\$4,360,819
Alliance Facilities Management (AFM)	67,384
Sponsorship Fees	56,959
Total	<u>\$4,485,162</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. AGREEMENT WITH EDISONLEARNING, INC.

On June 20, 2000, the School contracted with EdisonLearning, Inc. to provide educational programs that offer educational excellence and a laboratory for educational innovation based on EdisonLearning, Inc.'s unique school design, comprehensive educational programs, and management principles. The term of the contract was July 1, 2010 through June 30, 2011. The contract may be renewed for an additional year. Under the contract, EdisonLearning, Inc. is responsible and accountable to Alliance Community Schools, Inc. Board of Trustees for the administration, operation, and performance of the School in accordance with the School's contract with the Thomas B. Fordham Foundation to operate the School. Significant provisions of the contract are as follows:

A. Financial Provisions

1. Management Consulting and Operation Fee

The School is required to remit monthly to EdisonLearning, Inc. all qualified gross revenue defined in the contract as "all external source revenue which the School receives and for which the School or its students are eligible from federal or State sources." The following is a summary of current payment activity to EdisonLearning, Inc.:

Amount due current fiscal year	\$4,485,162
Amount remitted current fiscal year	<u>(3,719,715)</u>
Edison Payable	<u>\$ 765,447</u>

2. The School's Financial Responsibility

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

3. Edison Financial Responsibilities

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

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

4. Budget

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. AGREEMENT WITH EDISONLEARNING, INC. (Continued)

B. Personnel

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

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

C. Agreement Termination

1. Termination by the School

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

2. Termination by EdisonLearning, Inc.

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

15. EDISONLEARNING, INC. EXPENSES

For the fiscal year ended June 30, 2011, EdisonLearning, Inc. incurred the following expenses on behalf of the School.

	2011
Expenses:	
Direct Expenses:	
Salaries and Wages and Benefits	\$2,957,678
Professional and Technical Services	50,792
Property Services	24,655
Travel	14,207
Professional Development and Recruitment	50,250
Communications	20,157
Utilities	155,944
Contracted Craft or Trade Services	1,085,846
Transportation	31,466
Other Purchased Services	9,799
Books, Periodicals and Films	44,395
Other Supplies	23,219
Other Direct Costs	25,354
Total Expenses	\$4,493,762

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. JOINTLY GOVERNED ORGANIZATION

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

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

17. SUBSEQUENT EVENT

On February 2, 2012 the Trustees approved a resolution not to renew the current contract, between Alliance Community Schools and EdisonLearning Inc., for services at Dayton Liberty Campus, upon the expiration of that contract in June of 2012.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$91,483	\$88,584
National School Lunch Program	10.555	195,098	189,310
Total Child Nutrition Cluster		<u>286,581</u>	<u>277,894</u>
Fresh Fruit and Vegetable Program	10.582	49,072	41,473
Total United States Department of Agriculture		<u>335,653</u>	<u>319,367</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Education</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	534,745	466,688
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	254,837	211,164
Total Title I, Part A Cluster		<u>789,582</u>	<u>677,852</u>
Special Education Cluster:			
Special Education_Grants to States	84.027	158,958	140,463
ARRA - Special Education Grants to States, Recovery Act	84.391	131,658	136,846
Special Education_Preschool Grants	84.173	2,243	725
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	6,209	6,209
Total Special Education Cluster		<u>299,068</u>	<u>284,243</u>
Safe and Drug-Free Schools and Communities State_Grants	84.186	13,424	3,941
Educational Technology State Grants	84.318	4,930	1,936
Improving Teacher Quality State Grants	84.367	152,059	85,247
School Improvement Grants	84.377	2,096	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	289,620	289,620
Total United States Department of Education		<u>1,550,779</u>	<u>1,342,839</u>
Total Federal Assistance		<u>\$1,886,432</u>	<u>\$1,662,206</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the School to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the business-type activities of Dayton Leadership Academies – Dayton Liberty Campus, Montgomery County, (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 9, 2012.

Dayton Leadership Academies – Dayton Liberty Campus
Montgomery County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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

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

Dave Yost
Auditor of State

March 9, 2012



Dave Yost • Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of Dayton Leadership Academies – Dayton Liberty Campus (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School's compliance based on our audit.

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

In our opinion, the Dayton Leadership Academies – Dayton Liberty Campus complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 9, 2012.

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



Dave Yost
Auditor of State

March 9, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies CFDA # 84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act CFDA # 84.389 ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act CFDA#84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards – Errors on the Federal Schedule	Yes	
2010-002	American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) – Failing to report FTE's and a vendor for the Title 1 ARRA program	Yes	

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Governing Board:

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

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

1. We noted the School amended its anti-harassment policy at its meeting on October 15, 2007 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 9, 2012



Dave Yost • Auditor of State

DAYTON LEADERSHIP ACADEMIES – DAYTON LIBERTY CAMPUS

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2012**