



Dave Yost • Auditor of State



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – June 30, 2011 .....	7
Statement of Revenues, Expenses, and Change in Net Assets For the Fiscal Year Ended June 30, 2011 .....	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2011 .....	9
Notes to the Basic Financial Statements .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	21
Schedule of Prior Audit Findings.....	23
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	25

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dayton Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activity, of Dayton Technology Design High School, Montgomery County, (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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of Dayton Technology Design High School, Montgomery County, as of June 30, 2011, and the changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

August 11, 2011

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

The discussion and analysis of the Dayton Technology Design High School'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 the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

- In fiscal year 2011, the School had a large increase in fringe benefits due to increases in both costs and the number of employees electing health insurance coverage, along with an increase in unemployment costs.
- The School's only debt obligation will be paid off in fiscal year 2012.

**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 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:

<b>Table 1</b>			
<b>Net Assets</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Assets:</b>			
Current Assets	\$ 57,557	\$ 145,445	(\$87,888)
Capital Assets, Net	1,890,805	1,925,695	(34,890)
<b>Total Assets</b>	<b>1,948,362</b>	<b>2,071,140</b>	<b>(122,778)</b>
<b>Liabilities:</b>			
Current Liabilities	76,587	112,000	(35,413)
Non-current Liabilities		25,000	(25,000)
<b>Total Liabilities</b>	<b>76,587</b>	<b>137,000</b>	<b>(60,413)</b>
<b>Net Assets:</b>			
Invested in Capital Assets	1,890,805	1,925,695	(34,890)
Restricted	5,539	30,723	(25,184)
Unrestricted (Deficit)	(24,569)	(22,278)	(2,291)
<b>Total Net Assets</b>	<b>\$1,871,775</b>	<b>\$1,934,140</b>	<b>(\$62,365)</b>

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

Total assets decreased \$122,778, mainly due to a decrease in equity in pooled cash. Equity in pooled cash decreased due to an increase in fringe benefits expenses. The decrease in capital assets, net is due to current year depreciation on buildings and improvements and furniture and fixtures.

Current liabilities decreased \$35,413, mainly due to a decrease in accounts payable and accrued wages and benefits payable. The decrease in accounts payable is due to the School paying the majority of bills prior to fiscal year-end. The decrease in accrued wages and benefits payable is due to the School no longer having a payable for medical insurance because it is paid in full prior to fiscal year-end.

Invested in capital assets decreased due to current year depreciation. Restricted net assets decreased due to expending balances of federal grant programs. Unrestricted net assets, the amount available to fund daily operations, decreased slightly.

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

**Table 2  
Change in Net Assets**

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Operating Revenues:</b>			
State Foundation	\$1,012,401	\$1,020,868	(\$ 8,467)
Miscellaneous	14,895	10,305	4,590
Total Operating Revenues	<u>1,027,296</u>	<u>1,031,173</u>	<u>(3,877)</u>
<b>Non-Operating Revenues:</b>			
Federal and State Grants	489,452	525,010	(35,558)
Contributions and Donations		350,000	(350,000)
Total Non-Operating Revenues	<u>489,452</u>	<u>875,010</u>	<u>(385,558)</u>
Total Revenues	<u>1,516,748</u>	<u>1,906,183</u>	<u>(389,435)</u>
<b>Operating Expenses:</b>			
Salaries	643,789	671,340	(27,551)
Fringe Benefits	331,651	196,865	134,786
Purchased Services	498,229	487,488	10,741
Materials and Supplies	70,554	76,643	(6,089)
Depreciation	34,890	34,890	
Total Operating Expenses	<u>1,579,113</u>	<u>1,467,226</u>	<u>\$111,887</u>
Change in Net Assets	(62,365)	438,957	
Net Assets at Beginning of Year	<u>1,934,140</u>	<u>1,495,183</u>	
Net Assets at End of Year	<u>\$1,871,775</u>	<u>\$1,934,140</u>	

Total operating revenues decreased slightly. Non-operating revenues decreased \$385,558 due mainly to a large decrease in contributions and donations. The large decrease to contributions and donations was due to the forgiveness of the building improvement loan of \$350,000 from the Dayton City School District in the prior fiscal year.

Operating expenses increased \$111,887 due to a large increase in fringe benefits. Fringe benefits had an increase in both costs of medical insurance and the number of people electing coverage, along with an increase in unemployment costs.



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**Capital Assets**

At the end of fiscal year 2011 the School had \$1,890,805 invested in capital assets, net of depreciation. This represented a decrease of \$34,890 from fiscal year 2010, which was due to the fiscal year 2011 depreciation expense. Table 3 shows total capital assets for fiscal years 2011 and 2010:

**Table 3  
Capital Assets at June 30,  
(Net of Depreciation)**

	<u>2011</u>	<u>2010</u>
Land	\$ 437,500	\$ 437,500
Buildings and Improvements	1,447,328	1,478,122
Furniture and Fixtures	5,977	10,073
Totals	<u>\$1,890,805</u>	<u>\$1,925,695</u>

For more information on capital assets, see Note 4 to the basic financial statements.

**Debt Administration**

At the end of fiscal year 2011, the School had \$25,000 in outstanding loans payable. Refer to Note 9 of the basic financial statements for additional information.

**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 Doug Bixler, Treasurer at Dayton Technology Design High School, 348 West First Street, Dayton, Ohio 45402, or e-mail at [dt\\_treas@mdeca.org](mailto:dt_treas@mdeca.org).

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**Assets:**

**Current Assets:**

Equity in Pooled Cash	\$30,723
Intergovernmental Receivable	26,834
Total Current Assets	<u>57,557</u>

**Non-Current Assets:**

**Capital Assets:**

Nondepreciable Capital Assets	437,500
Depreciable Capital Assets, Net	1,453,305
Total Non-Current Assets	<u>1,890,805</u>

Total Assets	<u>1,948,362</u>
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**Liabilities:**

**Current Liabilities:**

Accounts Payable	6,632
Intergovernmental Payable	5,621
Accrued Wages and Benefits Payable	36,380
Compensated Absences Payable	2,954
Loans Payable	25,000
Total Current Liabilities	<u>76,587</u>

**Net Assets:**

Invested in Capital Assets	1,890,805
<b>Restricted:</b>	
Miscellaneous State Grants	2,768
Title II-A Grant	2,771
Unrestricted (Deficit)	(24,569)
Total Net Assets	<u><u>\$1,871,775</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

<b>Operating Revenues:</b>	
State Foundation	\$1,012,401
Miscellaneous	14,895
Total Operating Revenues	<u>1,027,296</u>
<b>Operating Expenses:</b>	
Salaries	643,789
Fringe Benefits	331,651
Purchased Services	498,229
Materials and Supplies	70,554
Depreciation	34,890
Total Operating Expenses	<u>1,579,113</u>
Operating Loss	(551,817)
<b>Non-Operating Revenues:</b>	
Federal and State Grants	<u>489,452</u>
Change in Net Assets	(62,365)
Net Assets at Beginning of Year	<u>1,934,140</u>
Net Assets at End of Year	<u><u>\$1,871,775</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
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 State of Ohio	\$1,012,401
Cash Received from Miscellaneous Sources	14,895
Cash Payments for Employees	(990,750)
Cash Payments to Suppliers for Goods and Services	(588,886)
	(588,886)

Net Cash Used for Operating Activities (552,340)

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies Received 483,433

**Cash Flows from Capital and Related Financing Activities:**

Loan Principal Payments (25,000)

Net Decrease in Equity in Pooled Cash (93,907)

Equity in Pooled Cash at Beginning of Year 124,630

Equity in Pooled Cash at End of Year \$30,723

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (\$551,817)

**Adjustments to Reconcile Operating**

**Loss to Net Cash Used for Operating Activities:**

Depreciation 34,890

**Changes in Assets and Liabilities:**

Decrease in Accounts Payable (14,692)

Decrease in Accrued Wages and Benefits Payable (15,602)

Decrease in Intergovernmental Payable (5,073)

Decrease in Compensated Absences Payable (46)

Total Adjustments (523)

Net Cash Used for Operating Activities (\$552,340)

**Noncash:**

The School had outstanding intergovernmental receivables related to non-operating grants of \$26,834 at June 30, 2011.

*See accompanying notes to the basic financial statements.*

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Dayton Technology Design High School (the "School") is a State nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is considered a conversion community school under Ohio law. Conversion schools are created by converting all or part of an existing public school into a community school. Conversion schools may be sponsored by and operate in any public school district.

The School is designed for at-risk, high school students who have a desire for, and whose education can be optimized by, a program of online instruction environment that does not include ancillary components of a more traditional education. Because the focus is on virtual learning, the ability of students to learn independently using various computer educational programs is an essential element of the School's program.

The School was approved for operation under contract with its Sponsor, the Dayton City School District, for a period of five years commencing July 1, 2006. The School renewed its contract on June 7, 2011 with the Dayton City School District for a period of five years commencing on July 1, 2011. Under the terms of its contract with the Sponsor, the School has access to facilities, staff, equipment, instructional materials, curriculum, and the educational strategy of the Sponsor as determined appropriate. The Sponsor may, at its sole option, accelerate the expiration of the contract for any reason by giving written notice of its intent to the School by May 1 of any given year, in which the contract will expire on June 30 of the same year.

The School operates under a five-member Board of Directors (the Board). The Sponsor Contract requires that the majority of the members of the Board be elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the School, some but not all of whom may be administrators within the Dayton City School District. The Sponsor Contract also permits additional Board positions to be filled by parents or community civic leaders.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Note 13 to the basic financial statements.

**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.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 position 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 the School's financial transactions is determined by the School's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. With 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 total 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.

**E. Expenses**

Expenses are recognized at the time they are incurred.

**F. Equity in Pooled Cash**

The School maintains an interest bearing depository 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". The School had no investments during fiscal year 2011.



**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings and Improvements	50 years
Furniture and Fixtures	5-30 years

**H. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the statement of net assets.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for employees with at least 15 years of service in one of the retirement systems for all positions (including certified and non-certified staff). At fiscal year-end, the highest number of years of service by any eligible School employee was only four years.

**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 eligibility requirements have been met.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
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. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. 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. Net assets restricted for other purposes include resources restricted for required food service operations and federal and State grants restricted to expenditures for specified purposes.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. 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. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**M. 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.

**N. 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 agreement 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. RECEIVABLES**

Receivables at June 30, 2011, consisted of intergovernmental (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:

	<u>Amounts</u>
Title VI-B	\$ 3,322
21st Century	11,419
Title I	3,412
Improving Teacher Quality	2,841
Learn and Serve America	5,840
Total Intergovernmental Receivable	<u>\$26,834</u>

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**4. CAPITAL ASSETS**

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

	<b>Balance At 6/30/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance At 6/30/2011</b>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 437,500			\$ 437,500
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	1,539,710			1,539,710
Furniture and Fixtures	22,361			22,361
Total Depreciable Capital Assets	1,562,071			1,562,071
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(61,588)	(\$30,794)		(92,382)
Furniture and Fixtures	(12,288)	(4,096)		(16,384)
Total Accumulated Depreciation	(73,876)	(34,890)		(108,766)
Depreciable Capital Assets, Net	1,488,195	(34,890)		1,453,305
Total Capital Assets, Net	<u>\$1,925,695</u>	<u>(\$34,890)</u>	<u>\$0</u>	<u>\$1,890,805</u>

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School contracted with Erie Insurance Company for business general liability and excess liability. General liability (including personal and advertising injury) coverage is \$1 million each occurrence with a limit of liability of \$10 million. Business property liability coverage for owned, hired, and non-owned auto liability has a single and combined limit of liability at \$1 million.

The School contracted with Lexington Insurance Company for property insurance of \$1 million.

There have been no significant changes in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The School 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 TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**6. 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 and death benefit obligations 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 benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$18,424, \$18,790, and \$10,030, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The School 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](http://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.

**Funding Policy** – For the fiscal year ended June 30, 2010 (the latest information available), 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. 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.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$67,286, \$71,214, and \$73,246, respectively; 92.97 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were not available.

**7. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School 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 School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,231, \$676, and \$4,590, 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 \$1,186, \$1,117, and \$828, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

**B. State Teachers Retirement System of Ohio**

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

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**7. POST-EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010 (the latest information available), STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,176, \$5,478, and \$5,634, respectively; 92.97 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**8. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements of Dayton City School District, the sponsor, and State Laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees each month and may be accrued up to a maximum of the number of days earned during the fiscal year. Vacation days in excess of the annual number of days earned by the employee may be carried forward only with the approval of the Principal. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused days, up to a maximum accumulation of 180 days for teachers and administrators and 160 days for classified employees. In addition, classified employees are subject to the following based on length of service:

<u>Length of Service</u>	<u>Maximum Severance Payouts</u>
Less than five years	0 days
Five years to 15 years	30 days
15 years to 25 years	35 days
Over 25 years	40 days

Professional staff members are eligible to accumulate sick days in a severance account once they have accumulated the maximum 250 days of sick leave. These excess days may not be used as sick leave days or "catastrophic illness" donations. Accumulated severance account days will be paid at one-fourth of the accumulated balance, up to a maximum payout of 45 days.

**B. Health Insurance**

As part of the Sponsor Contract, School employees are covered by the Sponsor's insurance benefit coverage and premiums for the benefits are paid by the School to the Sponsor in the months of April through October.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**9. LONG-TERM OBLIGATIONS**

The changes in the School's long-term obligations during fiscal year 2011 were as follows:

<u>Long-Term Obligation</u>	<u>Amount Outstanding 6/30/010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/11</u>	<u>Due In One Year</u>
Start Up Loan	\$50,000		\$25,000	\$25,000	\$25,000

On July 10, 2006 the School's Sponsor, the Dayton City School District, provided the School with a loan of \$100,000 to fund operations during the start-up phase of the School. There is no provision for interest on this loan. The original loan agreement required the loan to be repaid in four annual installments of \$25,000 ending in fiscal year 2010. During the fiscal years 2008 and 2009, the Sponsor agreed to a deferment of the second and third installment payments on the loan. The repayment schedule was modified during fiscal year 2010, and the School will make annual payments of \$25,000 beginning on January 10, 2010 with final maturity being January 10, 2012.

**10. 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.

**11. PURCHASED SERVICES**

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

Professional and Technical Services	\$260,133
Property Services	126,322
Pupil Transportation	30,436
Communications	6,700
Food Service	62,163
Other	12,475
Total Expenses	<u>\$498,229</u>

**12. RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2011, the benefits related to the School's employees are processed and initially paid by the Dayton City School District. The School subsequently reimburses the Dayton City School District for these expenditures after each pay period. During fiscal year 2011, the School reported expenses related to employee insurance of \$199,870.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

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

**13. 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 paid MDECA \$5,767 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.





# 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 Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

We have audited the financial statements of the business-type activities of Dayton Technology Design High School, 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 August 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated August 11, 2011.

We intend this report solely for the information and use of management, the Board of Directors, the Community School's sponsor and others within the School. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

August 11, 2011

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 121.22(c), Article II Section 2.07(a) of the Dayton Technology High School Code of Regulations, Ohio Rev. Code Section 5705.391 – The Board approved various items in a meeting that did not have a quorum. Additionally the School failed to properly approve both 5 year forecasts that were submitted to the Ohio Department of Education	Yes	

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Dayton Technology Design High School  
Montgomery County  
348 West First Street  
Dayton, Ohio 45402

To the Board of Directors:

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 Dayton Technology Design High School (the 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 did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

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 of Directors and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 11, 2011

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# Dave Yost • Auditor of State

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL**

**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  
SEPTEMBER 8, 2011**