DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Dayton Regional STEM School
Montgomery County
1724 Woodman Drive
Kettering, Ohio 45420

To the Governing Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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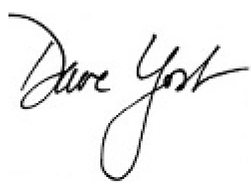
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 22, 2015

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

The discussion and analysis of the Dayton Regional STEM School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

Wright State University made payments on behalf of the School of $2,385,534 to various vendors, which is an increase of $2,231,484 over the prior fiscal year.

During fiscal year 2014, the School completed the School Facilities project that was started in fiscal year 2013.

Using this Financial Report

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

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net position for fiscal year 2014 compared to fiscal year 2013.

(Table 1)
Net Position

	2014	2013	Increase (Decrease)
Assets:			
Current Assets	$1,637,626	$4,122,918	($2,485,292)
Capital Assets, Net	8,377,639	6,978,367	1,399,272
Total Assets	10,015,265	11,101,285	(1,086,020)
Liabilities:			
Current Liabilities	924,138	1,685,069	(760,931)
Non-Current Liabilities	4,116,667	4,346,667	(230,000)
Total Liabilities	5,040,805	6,031,736	(990,931)
Net Position:			
Net Investment in Capital Assets	4,030,972	2,522,334	1,508,638
Restricted	440,524	2,308,551	(1,868,027)
Unrestricted	502,964	238,664	264,300
Total Net Position	$4,974,460	$5,069,549	($95,089)

Current assets decreased $2,485,292 due primarily to cash and cash equivalents decreasing by $1,941,962. Cash and Cash Equivalents decreased due to expenditures exceeding revenues, and non-operating revenues (federal and state grants) decreasing. Net investment in capital assets increased $1,508,638 due to additions exceeding current year depreciation. Current liabilities decreased $760,931 due to a decrease in contracts payable related to the completion of the school facilities project. Non-current liabilities decreased $230,000 due to the current year's payment on the capital lease.

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

(Table 2)
Change in Net Position

	2014	2013	Increase (Decrease)
Operating Revenues:			
Sales	$36,941	$69,058	($32,117)
State Foundation	3,461,716	2,821,377	640,339
Tuition and Fees	98,881	74,716	24,165
Donations	45,722	36,991	8,731
Miscellaneous	28,749	60,750	(32,001)
Total Operating Revenues	3,672,009	3,062,892	609,117
Operating Expenses:			
Purchased Services	5,952,341	2,854,632	3,097,709
Materials and Supplies	357,130	271,071	86,059
Depreciation	177,255	95,110	82,145
Total Operating Expenses	6,486,726	3,220,813	3,265,913
Operating Loss	(2,814,717)	(157,921)	(2,656,796)
Non-Operating Revenues (Expenses):			
Federal and State Grants	261,635	4,451,619	(4,189,984)
Other Grants	2,456,082	154,575	2,301,507
Gifts and Donations	246,561	258,598	(12,037)
Interest	78	416	(338)
Rent	47,160	46,630	530
Interest and Fiscal Charges	(291,888)	(378,365)	86,477
Total Non-Operating Revenues (Expenses)	2,719,628	4,533,473	(1,813,845)
Change in Net Position	(95,089)	4,375,552	(4,470,641)
Net Position at Beginning of Year	5,069,549	693,997	4,375,552
Net Position at End of Year	$4,974,460	$5,069,549	($95,089)

The School's business-type activities consist of enterprise activity. STEM schools receive no support from taxes.

State foundation increased due to an increase in student enrollment. Federal and State grants decreased due primarily to the completion of the school facilities project. Other grants increased due to on-behalf payments made by Wright State University. The increase in purchased services is related to the school facilities project.

Capital Assets

At the end of fiscal year 2014, the School had $8,377,639 invested in capital assets, net of depreciation. For more information on capital assets see Note 5 to the basic financial statements.

Debt

At the end of fiscal year 2014, the School had $4,346,667 in long-term obligations outstanding due to a capital lease. For more information on debt see Notes 7 and 8 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 the Treasurer at Dayton Regional STEM School, 1724 Woodman Dr., Kettering, OH 45420.

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DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current Assets:	
Equity in Pooled Cash	$445,926
Accounts Receivables	6,315
Intergovernmental Receivables	55,385
Cash Held in Escrow with Trustee	1,130,000
Total Current Assets	1,637,626
Non-Current Assets:	
Non-depreciable Assets	824,870
Depreciable Capital Assets, Net	7,552,769
Total Non-Current Assets	8,377,639
Total Assets	10,015,265
Liabilities:	
Current Liabilities:	
Accounts Payable	5,688
Intergovernmental Payable	88,450
Unavailable Revenue	600,000
Capital Leases Payable	230,000
Total Current Liabilities	924,138
Non-Current Liabilities:	
Capital Leases Payable	4,116,667
Total Liabilities	5,040,805
Net Position:	
Net Investment in Capital Assets	4,030,972
Restricted for State and Federal Grants	24,748
Restricted for Food Service	1,757
Restricted for Student Activities	14,019
Restricted for Debt Service	400,000
Unrestricted	502,964
Total Net Position	$4,974,460

See accompanying notes to the basic financial statements.

DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY

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

Operating Revenues:	
Sales	$36,941
State Foundation	3,461,716
Tuition and Fees	98,881
Donations	45,722
Miscellaneous	28,749
Total Operating Revenues	3,672,009
Operating Expenses:	
Purchased Services	5,952,341
Materials and Supplies	357,130
Depreciation	177,255
Total Operating Expenses	6,486,726
Operating Loss	(2,814,717)
Non-Operating Revenues (Expenses):	
Federal and State Grants	261,635
Other Grants	2,456,082
Gifts and Donations	246,561
Interest	78
Rent	47,160
Interest and Fiscal Charges	(291,888)
Total Non-Operating Revenues (Expenses)	2,719,628
Change in Net Position	(95,089)
Net Position at Beginning of Year	5,069,549
Net Position at End of Year	$4,974,460

See accompanying notes to the basic financial statements.

DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Sales	$76,649
Cash Received from State of Ohio	3,548,765
Cash Received from Donations	45,722
Cash Received from Students	95,651
Cash Received from Miscellaneous Sources	25,706
Cash Payments to Suppliers for Goods and Services	(7,119,951)
Net Cash Used in Operating Activities	(3,327,458)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	629,562
Other Grants Received	2,456,082
Rent	47,160
Net Cash Provided by Noncapital Financing Activities	3,132,804
Cash Flows from Capital and Related Financing Activities:	
Acquistion of Capital Assets	(1,576,527)
Interest and Fiscal Charges	(45,327)
Capital Lease Principal Payments	(230,000)
Net Cash Used for Capital and Related Financing Activities	(1,851,854)
Cash Flows from Investing Activities:	
Interest	78
Net Decrease in Cash and Cash Equivalents	(2,046,430)
Cash at Beginning of Year	3,622,356
Cash at End of Year	$1,575,926
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	($2,814,717)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	177,255
Changes in Liabilities:	
Decrease in Accounts Receivable	33,435
Decrease in Accounts Payable	(7,302)
Increase in Intergovernmental Payable	82,882
Decrease in Contracts Payable	(799,011)
Total Adjustments	(512,741)
Net Cash Used in Operating Activities	($3,327,458)

Non-Cash Transactions:

The School had outstanding intergovernmental receivables related to non-operating grants of $55,385 at June 30, 2014.

During fiscal year 2014, the School had $600,000 in unearned revenue outstanding.

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Dayton Regional STEM School (the "School") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3326 to maintain and provide a school exclusively for any science, technology, engineering, math, and related teaching services. The School currently serves grades six through 12. The School, which is part of the state's education program, is independent of any school district and serves the areas of Clark, Greene, and Montgomery Counties. The School is capable of suing and being sued, contracting and being contracted with, acquiring, holding, possessing, and disposing of real and personal property, taking and holding in trust for the use and benefit of the School, any grant or devise of land and any donation or bequest of money or other personal property.

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 School was formed from a grant through Wright State University from the Ohio STEM Learning Network, which is managed by Battelle. The Ohio STEM Learning Network is a private non-profit program whose objective is to accelerate the spread of science, technology, engineering, and mathematics education innovations across Ohio using a network and systems oriented approach. The Ohio STEM Learning Network is funded through philanthropic cash and in-kind investments provided by private donors.

The School operates under a 14 member, self-appointed, Governing Board that consists of representatives of the regional organizations that were partnered to establish the School and shall not exceed 15 members. The Governing Board is responsible for adopting policies and procedures that govern the School and supervising the School principal.

The School participates in two jointly governed organizations. These organizations are presented in Note 9 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council

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 nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Measurement Focus

The accounting and financial reporting treatment of a 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. Within this measurement focus, all assets and all liabilities associated with the operation of the School are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The School's financial statements are prepared using the 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's Treasurer accounts for all monies received by the School. The School maintains one interest bearing depository account and one non-interest bearing account and all funds of the School are maintained in this account. These accounts are presented on the statement of net position as "Equity in Pooled Cash". The School did not have any investments during fiscal year 2014.

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 are depreciated, except land. 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:

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	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 position.

I. 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.

J. Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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. Revenue related to Wright State University has been reported as Other Grants (non-operating). 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.

L. Budgetary Process

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does not require the School to prepare a five-year projection but the STEM schools did prepare one in fiscal year 2014.

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.

3. DEPOSITS

Monies held by the School are classified by State statute into three categories.

Active monies are public deposits determined to be necessary to meet current demands upon the School treasury. Active monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

3. DEPOSITS (Continued)

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio; or Ohio Local Governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;

7. The State Treasurer's investment pool (STAROhio); and

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

4. RECEIVABLES

Receivables at June 30, 2014, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Race to the Top	$7,122
Title I	30,860
Special Education	15,794
Title II-A	1,609
Total Intergovernmental Receivable	$55,385

5. CAPITAL ASSETS

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

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Capital Assets Not Being Depreciated:				
Land	$824,870	$0	$0	$824,870
Construction in Progress	2,383,082	1,553,459	(3,936,541)	0
Total Capital Assets Not Being Depreciated	3,207,952	1,553,459	(3,936,541)	824,870
Capital Assets Being Depreciated:				
Buildings and Improvements	3,874,848	3,936,541	0	7,811,389
Furniture, Fixtures and Equipment	89,983	23,068	0	113,051
Total Capital Assets Being Depreciated	3,964,831	3,959,609	0	7,924,440
Less Accumulated Depreciation:				
Buildings and Improvements	(139,500)	(156,227)	0	(295,727)
Furniture, Fixtures and Equipment	(54,916)	(21,028)	0	(75,944)
Total Accumulated Depreciation	(194,416)	(177,255)	0	(371,671)
Total Capital Assets Being Depreciated, Net:	3,770,415	3,782,354	0	7,552,769
Capital Assets, Net	$6,978,367	$5,335,813	($3,936,541)	$8,377,639

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 and natural disasters. During fiscal year 2014, the School participated in the Southwestern Ohio Educational Purchasing Council (Note 9) for liability, fleet, and property insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since the prior fiscal year.

7. CAPITAL LEASE

In a prior fiscal year, the School entered into a capitalized lease for land and buildings and improvements. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of $4,579,035. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2014 totaled $230,000.

The assets acquired through the capital lease are as follows:

	Asset Value	**Accumulated Depreciation**	**Net Book Value**
Asset:			
Land	$824,870		$824,870
Buildings and Improvements	3,754,165	($210,247)	3,543,918
Totals	$4,579,035	($210,247)	$4,368,788

7. CAPITAL LEASE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending June 30,	Total Payments
2015	$465,904
2016	454,921
2017	463,616
2018	456,167
2019	441,867
2020-2024	2,115,179
2025-2026	1,794,354
Total	6,192,008
Less: Amount Representing Interest	(1,845,341)
Present Value of Net Minimum Lease Payments	$4,346,667

8. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Amounts Due Within One Year
Leases Payable	$4,576,667	$0	$230,000	$4,346,667	$230,000

The School entered into a lease agreement with the Dayton-Montgomery County Port Authority during fiscal year 2011. The Dayton-Montgomery County Port Authority purchased a building and paid for renovations through the lease agreement.

9. JOINTLY GOVERNED ORGANIZATIONS

A. 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 Board exercises total control over the operations of the coalition including budgeting, appropriating, contracting and designating management. Each School District and Educational Service Center's degree of control is limited to its representation on the Board. The School paid $8,831 to MDECA for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Southwestern Ohio Educational Purchasing Council:

The School participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 139 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. The Council exercises total control over the operations of the coalition including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2014, the School paid $16,354 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

10. RELATED PARTY TRANSACTIONS

The School contracts with Wright State University to utilize certain personnel and other resources. During fiscal year 2014, the Wright State University paid $2,385,534 from grants received from various sources on behalf of the School for personnel (all teaching and administrative personnel are employees of Wright State University); pension and retirement benefits; supplies and purchased services.

The School entered into a guaranty agreement with the Wright State University Foundation, Inc. March 1, 2011 for the capital lease with the Dayton-Montgomery County Port Authority. The Wright State University Foundation, Inc. guarantees the full and prompt payment, when due, of the lease payments, not to exceed $3,000,000.

11. CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time.

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. The fiscal year 2014 review revealed the School was overpaid by $87,049 which was shown as an intergovernmental payable as of June 30, 2014.

11. CONTINGENCIES (Continued)

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

12. PURCHASED SERVICES

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

Professional and Technical Services	$3,243,325
Travel	1,608
Property Services	264,415
Communication	8,831
Wright State University	2,368,205
Other	65,957
Total	$5,952,341

13. AGREEMENT WITH WRIGHT STATE UNIVERSITY

On August 3, 2009, the School contracted with Wright State University (WSU) to utilize certain WSU personnel and other resources as agreed upon, to provide services and facilitate operation of the School. The term of the contract began on August 3, 2009 and will continue to remain in full force and effect upon the same terms and conditions for successive periods of one year.

A. WSU Personnel

WSU will hire personnel mutually agreeable to the School to carry out the School's activities. The specific terms of their compensation, the definition of their duties and the allocation of their time and responsibilities between the work of the School and other duties to WSU shall be determined (and may be changed) jointly by the School and WSU. WSU shall be reimbursed for the use of WSU Personnel.

B. Responsibility for and Compensation of Personnel

WSU is responsible for all payroll and employment taxes, and other customary employer duties and responsibilities for the personnel during the term of the agreement. WSU provides appropriate workers' compensation coverage for employees throughout the term of the agreement and further provided all employee benefits for the employees customarily provided to others in like positions at WSU.

C. Personnel Employed by WSU

The Personnel designated to provide services under the agreement shall remain employees of WSU and shall be subject to any employment agreements between the employees and WSU. WSU shall not be required to hire or retain personnel utilized by the School unless funding for such is approved and available to the School.

13. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)

D. WSU Resources

The School may utilize certain resources of WSU for use in its activities upon mutual agreement with WSU. The School shall reimburse WSU, as mutually agreed upon, for any costs directly incurred as a result of the School's use of such resources. WSU may choose to offer the School fiscal support and in-kind contributions of support at its discretion.

E. School Property

Files, reports, articles, electronic records and other such materials created or developed by WSU employees while performing services for the School are and will remain the School's property.

F. Insurance

Insurance customarily carried by those in the operation of an educational institution shall be maintained by each party. To the extent permitted by law and provided that the parties receive reciprocal treatment, each party shall name the other as an additional insured. The parties agree to notify each other in writing within 10 days of loss coverage or material change in such policies.

G. Reimbursement for Personnel and Resources

The School will reimburse WSU for all costs specifically applicable to the School's use of personnel and resources provided by WSU under the agreement, unless WSU at its discretion chooses not to seek reimbursement. Such costs are to include those incurred for salaries, taxes, insurance, employee benefits, amounts reimbursed for any out-of-pocket expenses (including but not limited to travel authorized by the School) incurred by personnel that are specifically allocable to the activities of the School, and any others directly associated with the use of personnel and resources of WSU by the School in its operations. WSU shall not be required to hire or retain personnel utilized by the School unless funding for such is approved and available to the School.

H. Records and Invoicing

Both the School and WSU shall keep records quantifying the use of WSU personnel and resources subject to reimbursement under the agreement. On the first of each month, WSU shall invoice the School for the personnel and resources provided in the previous month under the agreement which is to include a detailed accounting of the costs to be reimbursed. The School shall have five business days to challenge, in writing, the costs allocated to it under the amount billed. Any dispute as to the amount due shall be settled by the parties. The parties shall review their records and invoices/payments on a periodic basis (but no less often than annually) and shall make such adjustments as the parties deem necessary by mutual agreement to reflect the actual use of WSU personnel and other resource by the School.

13. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)

I. Payment of Invoice

Payment of invoices by the School shall be made by the fifteenth day of the month in which the invoice is received. Notwithstanding the forgoing, in the event WSU has funds in a restricted account that is allocated for use by the School, such funds are to be used to offset any amounts owed by the School to WSU for use of personnel and resources before the School may be required to make payment out of its operating funds. Restricted funds may not be used to offset amounts owed by the School until after the five day period for the School to challenge the invoice has lapsed for the month in which the invoice was sent reflecting such expense and the use of such funds by WSU for the payment of expenses shall be reflected in the monthly invoice sent to the School in the subsequent month.

J. Termination

Either party may terminate the agreement at any time by providing 90 days written notice to the other party. A comprehensive review will occur every two calendar years by WSU and the School to begin on May 1 of odd numbered years and to conclude with a decision to continue or discontinue the agreement by June 30th of those odd number years.

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

Dayton Regional STEM School
Montgomery County
1724 Woodman Drive
Kettering, Ohio 45420

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Dayton Regional STEM School, Montgomery County, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 22, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 22, 2015

DAYTON REGIONAL STEM 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
MAY 19, 2015