



Dave Yost • Auditor of State



**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Dayton Regional STEM School, Montgomery County (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 Dayton Regional STEM School, as of June 30, 2012, and the changes in its financial position and its 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 January 30, 2013 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

January 30, 2013

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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, 2012. 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 \$136,180 to various vendors, which is a decrease of \$814,920 over the prior fiscal year.

Capital assets, net increased as completion of the building renovation project through a lease agreement with the Dayton-Montgomery County Port Authority.

**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 changes in net assets reflect how the School did financially during fiscal year 2012. 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 2012 compared to fiscal year 2011.

**(Table 1)  
Net Assets**

	<b>2012</b>	<b>2011</b>	<b>Increase (Decrease)</b>
<b>Assets:</b>			
Current Assets	\$1,624,486	\$2,741,801	(\$1,117,315)
Capital Assets, Net	4,677,867	3,827,406	850,461
<b>Total Assets</b>	<b>6,302,353</b>	<b>6,569,207</b>	<b>(266,854)</b>
<b>Liabilities:</b>			
Current Liabilities	993,356	1,143,321	(149,965)
Non-Current Liabilities	4,615,000	4,835,000	(220,000)
<b>Total Liabilities</b>	<b>5,608,356</b>	<b>5,978,321</b>	<b>(369,965)</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Debt	97,839	103,324	(5,485)
Restricted	354,128	394,725	(40,597)
Unrestricted	242,030	92,837	149,193
<b>Total Net Assets</b>	<b>\$ 693,997</b>	<b>\$ 590,886</b>	<b>\$ 103,111</b>

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

Current assets decreased \$1,117,315 due mainly to cash held with fiscal agent being spent on the building renovation project through the lease agreement with the Dayton-Montgomery County Port Authority. Capital assets, net increased \$850,461, as completion of the building renovation through a lease agreement with the Dayton-Montgomery County Port Authority. Current liabilities decreased due to decreases in accounts and intergovernmental payables as a result of the School not having large payments for legal services relating to the lease agreement and purchased services from Wright State University for professional services. Non-current liabilities decreased \$220,000 due to the annual lease payments.

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

**(Table 2)  
Change in Net Assets**

	<b>2012</b>	<b>2011</b>	<b>Increase (Decrease)</b>
<b>Operating Revenues:</b>			
Sales	\$ 57,756	\$ 34,719	\$ 23,037
State Foundation	2,221,227	1,216,980	1,004,247
Tuition and Fees	59,951	32,323	27,628
Donations	14,268	6,174	8,094
Miscellaneous	41,607	3,588	38,019
Total Operating Revenues	<u>2,394,809</u>	<u>1,293,784</u>	<u>1,101,025</u>
<b>Operating Expenses:</b>			
Fringe Benefits		6,310	(6,310)
Purchased Services	2,104,073	2,203,377	(99,304)
Rent		66,178	(66,178)
Materials and Supplies	318,212	200,436	117,776
Depreciation	61,990	41,444	20,546
Total Operating Expenses	<u>2,484,275</u>	<u>2,517,745</u>	<u>(33,470)</u>
Operating Loss	<u>(89,466)</u>	<u>(1,223,961)</u>	<u>1,134,495</u>
<b>Non-Operating Revenues (Expenses):</b>			
Federal and State Grants	175,543	293,563	(118,020)
Other Grants	141,180	955,095	(813,915)
Gifts and Donations	269,148		269,148
Interest	18	2,660	(2,642)
Rent	43,357	7,000	36,357
Interest and Fiscal Charges	(436,669)	(57,498)	(379,171)
Total Non-Operating Revenues (Expenses)	<u>192,577</u>	<u>1,200,820</u>	<u>(1,008,243)</u>
Income (Loss) before Contributions	103,111	(23,141)	126,252
Capital Contributions		85,154	(85,154)
Change in Net Assets	103,111	62,013	41,098
Net Assets at Beginning of Year - Restated	<u>590,886</u>	<u>528,873</u>	<u>62,013</u>
Net Assets at End of Year	<u>\$ 693,997</u>	<u>\$ 590,886</u>	<u>\$ 103,111</u>

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 the number of students over the prior fiscal year. Federal and State grants decreased due mainly to a decrease in federal grants received. Other grants decreased due to a decrease in on behalf payments made by Wright State University as the School paid for more of their own expenses.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

Interest and fiscal charges increased \$379,171 due to the interest payments on the lease agreement with the Dayton-Montgomery County Port Authority. Rent expenses decreased \$66,178 as a result of the Dayton STEM school purchasing a building instead of renting a building during fiscal year 2012. Materials and supplies expenses increased \$117,776 due to items purchased related to the new facilities.

**Capital Assets**

At the end of fiscal year 2012, the School had \$4,677,867 invested in capital assets, net of depreciation. The building renovation project was completed during the fiscal year. For more information on capital assets see Note 9 to the basic financial statements.

**Debt**

At the end of fiscal year 2012, the School had \$4,835,000 in long-term obligations outstanding due to a capital lease. For more information on debt see Note 10 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 Doug Bixler, Treasurer at Dayton Regional STEM School, 1724 Woodman Dr, Kettering, OH 45420, or e-mail at [dt\\_treas@mdeca.org](mailto:dt_treas@mdeca.org).

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**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets:**

**Current Assets:**

Equity in Pooled Cash	\$7,235
Accounts Receivables	39,406
Intergovernmental Receivables	192,873
Deferred Charges	87,682
Cash Held in Escrow with Trustee	1,130,000
Cash Held in Escrow with Fiscal Agent	167,290
Total Current Assets	<u>1,624,486</u>

**Non-Current Assets:**

Land	824,870
Depreciable Capital Assets, Net	3,852,997
Total Non-Current Assets	<u>4,677,867</u>

Total Assets	<u>6,302,353</u>
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**Liabilities:**

**Current Liabilities:**

Accounts Payable	41,600
Intergovernmental Payable	56,756
Unearned Revenue	675,000
Capital Leases Payable	220,000
Total Current Liabilities	<u>993,356</u>

**Non-Current Liabilities:**

Capital Leases Payable	4,615,000
Total Liabilities	<u>5,608,356</u>

**Net Assets:**

Invested in Capital Assets, Net of Debt	97,839
Restricted	29,128
Restricted for Debt Service	325,000
Unrestricted	242,030
Total Net Assets	<u><u>\$693,997</u></u>

*See accompanying notes to the basic financial statements.*

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$57,756
State Foundation	2,221,227
Tuition and Fees	59,951
Donations	14,268
Miscellaneous	41,607
Total Operating Revenues	2,394,809
<b>Operating Expenses:</b>	
Purchased Services	2,104,073
Materials and Supplies	318,212
Depreciation	61,990
Total Operating Expenses	2,484,275
Operating Loss	(89,466)
<b>Non-Operating Revenues (Expenses):</b>	
Federal and State Grants	175,543
Other Grants	141,180
Gifts and Donations	269,148
Interest	18
Rent	43,357
Interest and Fiscal Charges	(436,669)
Total Non-Operating Revenues (Expenses)	192,577
Change in Net Assets	103,111
Net Assets at Beginning of Year - Restated ( See Note 3)	590,886
Net Assets at End of Year	\$693,997

*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, 2012**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Sales	\$57,750
Cash Received from State of Ohio	2,221,227
Cash Received from Donations	14,268
Cash Received from Students	59,526
Cash Received from Miscellaneous Sources	2,632
Cash Payments to Suppliers for Goods and Services	<u>(2,589,750)</u>
Net Cash Used for Operating Activities	<u>(234,347)</u>

**Cash Flows from Non-capital Financing Activities:**

Federal and State Grants Received	78,395
Other Grants Received	141,180
Rent	43,357
Donations	<u>269,148</u>
Net Cash Provided by Non-capital Financing Activities	<u>532,080</u>

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

Acquisition of Capital Assets	(912,451)
Interest and Fiscal Charges	(328,174)
Capital Lease Principal Payments	<u>(165,000)</u>
Net Cash Used for Capital and Related Financing Activities	(1,405,625)

**Cash Flows from Investing Activities:**

Interest	<u>18</u>
Net Decrease in Cash and Cash Equivalents	(1,107,874)
Cash at Beginning of Year	<u>2,412,399</u>
Cash at End of Year	<u><u>\$1,304,525</u></u>

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	<u>(\$89,466)</u>
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**Adjustments to Reconcile Operating**

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

Depreciation	61,990
<b>Changes in Liabilities:</b>	
Increase in Accounts Receivable	(39,406)
Decrease in Accounts Payable	(98,430)
Decrease in Intergovernmental Payable	<u>(69,035)</u>
Total Adjustments	<u>(144,881)</u>

Net Cash Used for Operating Activities	<u><u>(\$234,347)</u></u>
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**Non-Cash Transactions:**

The School had outstanding intergovernmental receivables related to non-operating grants of \$192,873 at June 30, 2012.

During fiscal year 2012, the School had \$675,000 in unearned revenue outstanding.

*See accompanying notes to the basic financial statements.*

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**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 seven through 11 and will grow-out in the following fiscal year ultimately serving 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 an 10 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: Metropolitan Dayton Educational Cooperative Association and Southwestern Ohio Educational Purchasing Council. See Note 14 for information on these organizations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes 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.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

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

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

**D. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**E. Equity in Pooled Cash**

The School's Treasurer accounts for all monies received by the School. The School maintains an interest bearing depository accounts and 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 did not have any investments during fiscal year 2012.

**F. 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.

**G. Expenses**

Expenses are recognized at the time they are incurred.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Operating Revenues and Expenses**

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

**J. Intergovernmental Revenues**

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

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

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

**K. Estimates**

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

**L. Budgetary Process**

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

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**M. 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 for all capital assets. 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 and construction in progress. 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

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the fund of School.

**3. CHANGE IN ACCOUNTING ESTIMATE**

During fiscal year 2012, the School changed their threshold for recording capital assets from \$500 to \$1,000.

Net Assets, December 31, 2011, as Previously Reported	\$652,584
Restatement of Capital Assets	(61,698)
Net Assets, December 31, 2009, as Restated	\$590,886

**4. RECEIVABLES**

Receivables at June 30, 2012, consisted of account 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:

	<b>Amounts</b>
Education Jobs	\$ 66,561
Race to the Top	6,250
Title II-D	461
Part B IDEA	32,930
Title I	80,201
Title II-A	2,107
Food Service Subsidy	4,363
Total Intergovernmental Receivable	\$192,873

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. 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;
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;
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.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**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 2012, the School participated in the Southwestern Ohio Educational Purchasing Council for liability, fleet, and property insurance.

Settled claims have not exceeded this commercial coverage since the School's inception in fiscal year 2010. There has been no significant reduction in insurance coverage since the prior fiscal year.

**7. RELATED PARTY TRANSACTIONS**

The School contracts with Wright State University to utilize certain personnel and other resources. During fiscal year 2012, the Wright State University paid \$136,180 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.

**8. CAPITAL LEASE**

In the prior fiscal year, the School entered into a capitalized lease for land, buildings and improvements and construction in progress. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets in the amount of \$4,579,035. A corresponding liability was recorded on the Statement of Net Assets. Issuance costs will be amortized over the life of the lease and capitalized interest will be amortized over the first six months of the lease. The cash held with fiscal agent will be spent on renovations to the new building as needed. Principal payments in fiscal year 2012 totaled \$165,000.

The assets acquired through the capital lease are as follows:

	<b>Asset Value</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Asset:			
Land	\$ 824,870		\$ 824,870
Buildings and Improvements	3,754,165	(\$57,175)	3,696,990
Totals	\$4,579,035	(\$57,175)	\$4,521,860

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, 2012.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. CAPITAL LEASE (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2013	\$ 512,536
2014	508,919
2015	494,843
2016	480,767
2017	486,538
2018-2022	2,293,703
2023-2026	2,728,300
Total	7,505,606
Less: Amount Representing Interest	(2,670,606)
Present Value of Net Minimum Lease Payments	<u>\$4,835,000</u>

**9. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Restated Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 824,870			\$ 824,870
Construction in Progress	2,187,267	\$ 912,451	(\$3,099,718)	
Total Capital Assets Not Being Depreciated	3,012,137	912,451	(3,099,718)	824,870
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	775,130	3,099,718		3,874,848
Furniture, Fixtures and Equipment	77,455			77,455
Total Capital Assets <b>Being Depreciated</b>	852,585	3,099,718		3,952,303
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(15,503)	(46,500)		(62,003)
Furniture, Fixtures and Equipment	(21,813)	(15,490)		(37,303)
Total Accumulated Depreciation	(37,316)	(61,990)		(99,306)
Total Capital Assets Being Depreciated, Net:	815,269	3,037,728		3,852,997
Capital Assets, Net	<u>\$3,827,406</u>	<u>\$3,950,179</u>	<u>(\$3,099,718)</u>	<u>\$4,677,867</u>

**10 LONG-TERM OBLIGATIONS**

The changes in the School's long-term obligations during fiscal year 2012 were as follows:

	<u>Amount Outstanding 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/12</u>	<u>Amounts Due Within One Year</u>
Leases Payable	\$5,000,000	\$0	\$165,000	\$4,835,000	\$220,000

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

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**11. CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, 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.

**12. PURCHASED SERVICES**

For the fiscal year ended June 30 2012, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$1,552,820
Travel	4,870
Property Services	224,685
Communication	5,991
Wright State University	162,700
Other	153,007
Total	<u><u>\$2,104,073</u></u>

**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.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)**

**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.

**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.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**13. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)**

**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.

**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 30<sup>th</sup> of those odd number years.

**DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**14. 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 School paid \$5,444 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.

**B. Southwestern Ohio Educational Purchasing Council**

The School participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 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. 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 2012, the School paid \$373 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

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

To the Governing Board:

We have audited the financial statements of the Dayton Regional STEM School, Montgomery County, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 30, 2013. 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 certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated January 30, 2013.

We intend this report solely for the information and use of management, Governing Board, 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, flowing style.

**Dave Yost**  
Auditor of State

January 30, 2013

DAYTON REGIONAL STEM SCHOOL  
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012

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>
2011-001	Ohio Rev. Code Section 135.03, 135.18(A), and 135.181(B) – authorized depository and financial institution pledging securities	Yes	

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# Dave Yost • Auditor of State

**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  
FEBRUARY 26, 2013**