



Dave Yost • Auditor of State

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Business Technology High 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 Business Technology High 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.

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 August 27, 2014, 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

August 27, 2014

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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

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

Financial Highlights

- In fiscal year 2014, the School had an increase in current assets. Cash increased mainly due to an increase in state funding. The increase in payments can be attributed to an increase in student enrollment, up to 173 in 2014 from 157 in 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 that 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 and fiscal year 2013:

(Table 1)			
Net Position			
	2014	2013	Change
Assets:			
Current Assets	\$216,107	\$173,787	\$42,320
Capital Assets, Net	1,837,208	1,834,395	2,813
Total Assets	2,053,315	2,008,182	45,133
Liabilities:			
Current Liabilities	57,132	48,966	8,166
Net Position:			
Net Investment in Capital Assets	1,837,208	1,834,395	2,813
Restricted	16,136	7,878	8,258
Unrestricted	142,839	116,943	25,896
Total Net Position	\$1,996,183	\$1,959,216	\$36,967

Total assets increased \$45,133, mainly due to an increase in current assets. Current assets consist of cash and receivables and increased due to an increase in student enrollment. The increase in net capital assets is due to current year additions exceeding current year depreciation.

Current liabilities increased \$8,166, due to increased expenses attributed to higher student enrollment.

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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

Net investment in capital assets increased due to current year additions exceeding the current year depreciation. Unrestricted net position, the amount available to fund daily operations, increased due to an increase in state funding.

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

(Table 2)
Change in Net Position

	2014	2013	Change
Operating Revenues:			
State Foundation	\$1,167,286	\$1,186,539	(\$19,253)
Miscellaneous	2,132	12,370	(10,238)
Total Operating Revenues	<u>1,169,418</u>	<u>1,198,909</u>	<u>(29,491)</u>
Non-Operating Revenues:			
Federal and State Grants	512,918	362,862	150,056
Total Revenues	<u>1,682,336</u>	<u>1,561,771</u>	<u>120,565</u>
Operating Expenses:			
Salaries	750,173	652,242	97,931
Fringe Benefits	291,911	255,647	36,264
Purchased Services	466,296	464,278	2,018
Materials and Supplies	100,183	59,152	41,031
Depreciation	36,806	31,867	4,939
Total Operating Expenses	<u>1,645,369</u>	<u>1,463,186</u>	<u>\$182,183</u>
Change in Net Position	36,967	98,585	
Net Position at Beginning of Year	<u>1,959,216</u>	<u>1,860,631</u>	
Net Position at End of Year	<u>\$1,996,183</u>	<u>\$1,959,216</u>	

Total operating revenues decreased \$29,491 due to a change in state foundation payment funding. Non-operating revenues increased \$150,056 due to an increase in restricted State grants received from state foundation payments. Total revenues increased \$120,565 as a result of higher student enrollment.

Operating expenses increased \$182,183, due to increased expenses attributed to higher student enrollment.

Capital Assets

At the end of fiscal year 2014, the School had \$1,837,208 net investment in capital assets. This represented an increase of \$2,813 from fiscal year 2013, which was due to fiscal year 2014 additions. Table 3 shows total capital assets for fiscal years 2014 and 2013:

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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

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

	<u>2014</u>	<u>2013</u>
Land	\$437,500	\$437,500
Land Improvements	21,474	
Buildings and Improvements	1,354,946	1,385,740
Furniture and Fixtures	23,288	11,155
Totals	<u>\$1,837,208</u>	<u>\$1,834,395</u>

For more information on capital assets, see Note 4 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 Nicki Hagler, Treasurer at Dayton Business Technology High School, 6640 Poe Ave., Ste. 400, Dayton, Ohio 45414, or e-mail at nicki@mangen1.com.

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**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current Assets:

Equity in Pooled Cash	
Cash and Cash Equivalents	\$160,923
Intergovernmental Receivable	55,184
Total Current Assets	<u>216,107</u>

Non-Current Assets:

Capital Assets:

Non-depreciable Capital Assets	437,500
Depreciable Capital Assets, Net	1,399,708
Total Non-Current Assets	<u>1,837,208</u>

Total Assets	<u>2,053,315</u>
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Liabilities:

Current Liabilities:

Accounts Payable	9,745
Intergovernmental Payable	7,469
Accrued Wages and Benefits Payable	36,855
Compensated Absences Payable	3,063
Total Current Liabilities	<u>57,132</u>

Net Position:

Net Investment in Capital Assets	1,837,208
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Restricted:

Federal Grants	16,136
Unrestricted	142,839
Total Net Position	<u>\$1,996,183</u>

See accompanying notes to the basic financial statements.

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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

Operating Revenues:	
State Foundation	\$1,167,286
Miscellaneous	2,132
Total Operating Revenues	<u>1,169,418</u>
Operating Expenses:	
Salaries	750,173
Fringe Benefits	291,911
Purchased Services	466,296
Materials and Supplies	100,183
Depreciation	36,806
Total Operating Expenses	<u>1,645,369</u>
Operating Loss	(475,951)
Non-Operating Revenues:	
Federal and State Grants	<u>512,918</u>
Change in Net Position	36,967
Net Position at Beginning of Year	<u>1,959,216</u>
Net Position at End of Year	<u><u>\$1,996,183</u></u>

See accompanying notes to the basic financial statements.

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

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

Increase (Decrease) in Equity in Pooled Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$1,167,286
Cash Received from Miscellaneous Sources	4,150
Cash Payments for Employees	(1,026,633)
Cash Payments to Suppliers for Goods and Services	(573,764)
Net Cash Used for Operating Activities	<u>(428,961)</u>
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	<u>535,805</u>
 Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(39,619)</u>
Net Increase in Equity in Pooled Cash	67,225
Equity in Pooled Cash at Beginning of Year	<u>93,698</u>
Equity in Pooled Cash at End of Year	<u><u>\$160,923</u></u>
 Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	<u>(\$475,951)</u>
 Adjustments to Reconcile Operating	
Loss to Net Cash Used for Operating Activities:	
Depreciation	36,806
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	400
Decrease in Intergovernmental Receivable	1,618
Decrease in Accounts Payable	(7,003)
Increase in Accrued Wages and Benefits Payable	14,397
Increase in Intergovernmental Payable	1,942
Decrease in Compensated Absences Payable	(1,170)
Total Adjustments	<u>46,990</u>
Net Cash Used for Operating Activities	<u><u>(\$428,961)</u></u>

Non-cash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$55,184 at June 30, 2014.

See accompanying notes to the basic financial statements.

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**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Dayton Business Technology High School (the "School") is a State nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific, and related teaching service. The School is an approved tax-exempt organization under Sections 501(c)(3) and 170(c)(1) 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, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

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

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

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

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

The School participates in one jointly governed organization. This organization is presented in Note 9 to the basic financial statements. This organization is:

Jointly Governed Organization:
Metropolitan Dayton Educational Cooperative Association (MDECA).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

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

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

B. Measurement Focus

The accounting and financial reporting treatment of the School's financial transactions is determined by the School's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Equity in Pooled Cash

The School maintains non-interest-bearing depository accounts. All funds of the School are maintained in these accounts. These accounts are presented on the statement of net position as "Equity in Pooled Cash." The School had no investments during fiscal year 2014.

G. Capital Assets

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

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

<u>Description</u>	<u>Estimated Life</u>
Land Improvements	10 years
Buildings and Improvements	50 years
Furniture and Fixtures	5-30 years

H. Compensated Absences

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

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

I. Accrued Liabilities and Long-term Obligations

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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 position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for required federal grants restricted to expenditures for specified purposes.

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

K. Budgetary Process

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

L. 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.

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

N. Operating Revenues and Expenses

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

3. RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	Amounts
21st Century	\$2,940
Title I	52,210
Improving Teacher Quality	34
Total Intergovernmental Receivable	\$55,184

4. CAPITAL ASSETS

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

	Balance At 6/30/2013	Additions	Deletions	Balance At 6/30/2014
Capital Assets, Not Being Depreciated:				
Land	\$437,500			\$437,500
Depreciable Capital Assets:				
Land Improvements		\$23,860		23,860
Buildings and Improvements	1,539,710			1,539,710
Furniture and Fixtures	32,708	15,759		48,467
Total Depreciable Capital Assets	1,572,418	39,619		1,612,037
Less Accumulated Depreciation:				
Land Improvements		(2,386)		(2,386)
Buildings and Improvements	(153,970)	(30,794)		(184,764)
Furniture and Fixtures	(21,553)	(3,626)		(25,179)
Total Accumulated Depreciation	(175,523)	(36,806)		(212,329)
Depreciable Capital Assets, Net	1,396,895	2,813		1,399,708
Total Capital Assets, Net	\$1,834,395	\$2,813	\$0	\$1,837,208

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School contracted with Erie Insurance Company for business general liability and excess liability. General liability (including personal and advertising injury) coverage is \$1 million each occurrence with a limit of liability of \$10 million. Business property liability coverage for owned, hired, and non-owned auto liability has a single and combined limit of liability at \$1 million.

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

B. Workers' Compensation

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, and the School is required to contribute at 14.0 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10.0 percent for plan members and 14.0 percent for employers. The Retirement Board, acting with advice from the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14.0 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$29,940, \$25,161, and \$10,415, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.0 percent for members and 14.0 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The School was required to contribute 14.0 percent; 13.0 percent was the portion used to fund pension obligations.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$67,460, \$59,943, and \$74,909, respectively. For fiscal year 2014, 92.9 percent has been contributed for the DB Plan and Combined Plan with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

7. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans, as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report, which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14.0 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250.

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,338, \$308, and \$529, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,698, \$1,427, and \$661, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,189, \$4,611, and \$5,672 respectively. For fiscal year 2014, 92.9 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

8. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

8. EMPLOYEE BENEFITS (Continued)

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

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

B. Health Insurance

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

9. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts, except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The 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 MDECA \$5,073 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

10. CONTINGENCIES

A. Grants

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

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

10. CONTINGENCIES (Continued)

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.

C. Litigation

The School is not party to any legal proceedings.

11. PURCHASED SERVICES

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

Professional and Technical Services	\$210,422
Property Services	136,755
Pupil Transportation	14,765
Food Service	87,457
Other	<u>16,897</u>
Total Expenses	<u><u>\$466,296</u></u>

12. RELATED PARTY TRANSACTIONS

As stated in Note 1, Dayton City School District is the School's sponsor. During the fiscal year ended June 30, 2014, the benefits related to the School's employees are processed and initially paid by the Dayton City School District. The School subsequently reimburses the Dayton City School District for these expenditures after each pay period. The School additionally pays Dayton City School District for nutrition services. During fiscal year 2014, the School reported expenses paid to Dayton City School District in the amount of \$258,022.



Dave Yost • Auditor of State

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

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

To the Board of Directors:

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 Business Technology High 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 August 27, 2014.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 27, 2014



Dave Yost • Auditor of State

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 21, 2014**