



Dave Yost • Auditor of State

**DAYTON REGIONAL STEM SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Regional STEM School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dayton Regional STEM School, Montgomery County, Ohio, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions 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 July 14, 2016, 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

July 14, 2016

Dayton Regional STEM School
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2015
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, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

Wright State University made payments on behalf of the School of \$2,629,794 to various vendors, which is an increase of \$244,260 over the prior fiscal year.

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 2015. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net position for fiscal year 2015 compared to fiscal year 2014.

	(Table 1)		
	Net Position		
	2015	Restated 2014	Increase (Decrease)
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
Assets:			
Current Assets	\$2,440,160	\$1,637,626	\$802,534
Capital Assets, Net	8,210,690	8,377,639	(166,949)
Total Assets	<u>10,650,850</u>	<u>10,015,265</u>	<u>635,585</u>
Deferred Outflows of Resources:			
Pension	<u>\$6,043</u>	<u>\$4,815</u>	<u>\$1,228</u>

Dayton Regional STEM School
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2015
Unaudited

(Table 1)			
Net Position			
(Continued)			
	2015	Restated 2014	Increase (Decrease)
Liabilities:			
Current Liabilities	\$946,974	\$924,138	\$22,836
Non-Current Liabilities			
Net Pension Liability	60,529	71,122	(10,593)
Other Amounts	3,886,667	4,116,667	(230,000)
Total Liabilities	<u>4,894,170</u>	<u>5,111,927</u>	<u>(217,757)</u>
Deferred Inflows of Resources:			
Pension	<u>9,824</u>	<u>0</u>	<u>9,824</u>
Net Position:			
Net Investment in Capital Assets	4,094,023	4,030,972	63,051
Restricted	415,961	440,524	(24,563)
Unrestricted	1,242,915	436,657	806,258
Total Net Position	<u>\$5,752,899</u>	<u>\$4,908,153</u>	<u>\$844,746</u>

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of the State Employee Retirement System's (SERS) plan:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and

Dayton Regional STEM School
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2015
Unaudited

the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the SERS plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$4,974,460 to \$4,908,153.

Current assets increased \$802,534 due primarily to cash and cash equivalents increasing by \$841,326. Cash and Cash Equivalents increased due to an increase in state foundation payments received. Current liabilities increased \$22,836 due to an increase in accounts payable. Non-current liabilities decreased \$230,000 due to the current year's payment on the capital lease. Unrestricted Net Position increased \$806,258 due to revenues exceeding expenditures.

Table 2 shows the changes in net position for fiscal year 2015 compared to fiscal year 2014.

Dayton Regional STEM School
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2015
Unaudited

(Table 2)
Change in Net Position

	2015	2014	Increase (Decrease)
Operating Revenues:			
Sales	\$190,479	\$36,941	\$153,538
State Foundation	4,144,849	3,461,716	683,133
Tuition and Fees	115,640	98,881	16,759
Donations	27,378	45,722	(18,344)
Miscellaneous	63,629	28,749	34,880
Total Operating Revenues	<u>4,541,975</u>	<u>3,672,009</u>	<u>869,966</u>
Operating Expenses:			
Purchased Services	5,814,463	5,952,341	(137,878)
Materials and Supplies	678,012	357,130	320,882
Depreciation	171,931	177,255	(5,324)
Total Operating Expenses	<u>6,664,406</u>	<u>6,486,726</u>	<u>177,680</u>
Operating Loss	<u>(2,122,431)</u>	<u>(2,814,717)</u>	<u>692,286</u>
Non-Operating Revenues (Expenses):			
Federal and State Grants	333,691	261,635	72,056
Other Grants	2,629,794	2,456,082	173,712
Gifts and Donations	234,118	246,561	(12,443)
Interest	124	78	46
Rent	47,160	47,160	0
Interest and Fiscal Charges	(277,710)	(291,888)	14,178
Total Non-Operating Revenues (Expenses)	<u>2,967,177</u>	<u>2,719,628</u>	<u>247,549</u>
Change in Net Position	844,746	(95,089)	<u>\$939,835</u>
Net Position at Beginning of Year	<u>4,908,153</u>	N/A	
Net Position at End of Year	<u>\$5,752,899</u>	<u>\$4,908,153</u>	

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$4,815 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$3,531. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Dayton Regional STEM School
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2015
Unaudited

Total 2015 program expenses under GASB 68	\$6,664,406
Pension expense under GASB 68	(3,531)
2015 contractually required contribution	5,528
Adjusted 2015 program expenses	<u>6,666,403</u>
Total 2014 program expenses under GASB 27	<u>6,486,726</u>
Change in program expenses not related to pension	<u><u>\$179,677</u></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 student enrollment. Other grants increased due to on-behalf payments made by Wright State University.

Capital Assets

At the end of fiscal year 2015, the School had \$8,210,690 invested in capital assets, net of depreciation. For more information on capital assets see Note 6 to the basic financial statements.

Debt

At the end of fiscal year 2015, the School had \$4,116,667 in long-term obligations outstanding due to a capital lease. For more information on debt see Notes 10 and 11 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 Tiffany Hiser Treasurer at Dayton Regional STEM School, 1724 Woodman Dr, Kettering, OH 45420 or e-mail at thiser@optedge.com.

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Dayton Regional STEM School
Statement of Net Position
June 30, 2015

Assets:

Current Assets:

Equity in Pooled Cash	\$1,287,252
Intergovernmental Receivables	22,908
Cash Held in Escrow with Trustee	1,130,000
<i>Total Current Assets</i>	2,440,160

Non-Current Assets:

Nondepreciable Assets	824,870
Depreciable Capital Assets, Net	7,385,820
<i>Total Non-Current Assets</i>	8,210,690
<i>Total Assets</i>	10,650,850

Deferred Outflows of Resources:

Pension	6,043
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Liabilities:

Current Liabilities:

Accounts Payable	145,132
Intergovernmental Payable	9,342
Unavailable Revenue	562,500
Capital Leases Payable	230,000
<i>Total Current Liabilities</i>	946,974

Non-Current Liabilities:

Capital Leases Payable	3,886,667
Net Pension Liability	60,529
<i>Total Non-Current Liabilities</i>	3,947,196

<i>Total Liabilities</i>	4,894,170
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Deferred Inflows of Resources:

Pension	9,824
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Net Position:

Net Investment in Capital Assets	4,094,023
Restricted for State and Federal Grants	1,803
Restricted for Food Service	7
Restricted for Student Activities	14,151
Restricted for Debt Service	400,000
Unrestricted	1,242,915
<i>Total Net Position</i>	\$5,752,899

See accompanying notes to the basic financial statements

Dayton Regional STEM School
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended June 30, 2015

Operating Revenues:	
Sales	\$190,479
State Foundation	4,144,849
Tuition and Fees	115,640
Donations	27,378
Miscellaneous	63,629
<i>Total Operating Revenues</i>	4,541,975
 Operating Expenses:	
Purchased Services	5,814,463
Materials and Supplies	678,012
Depreciation	171,931
<i>Total Operating Expenses</i>	6,664,406
 <i>Operating Loss</i>	 (2,122,431)
 Non-Operating Revenues (Expenses):	
Federal and State Grants	333,691
Other Grants	2,629,794
Gifts and Donations	234,118
Interest	124
Rent	47,160
Interest and Fiscal Charges	(277,710)
<i>Total Non-Operating Revenues (Expenses)</i>	2,967,177
 <i>Change in Net Position</i>	 844,746
 <i>Net Position at Beginning of Year - Restated See Note 3</i>	 4,908,153
 <i>Net Position at End of Year</i>	 \$5,752,899

See accompanying notes to the basic financial statements

Dayton Regional STEM School
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Sales	\$190,521
Cash Received from State of Ohio	4,053,655
Cash Received from Donations	27,378
Cash Received from Students	118,870
Cash Received from Miscellaneous Sources	106,910
Cash Payments to Suppliers for Goods and Services	<u>(6,387,325)</u>
<i>Net Cash Used in Operating Activities</i>	<u><u>(1,889,991)</u></u>

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	332,813
Other Grants Received	2,629,794
Rent	47,160
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u><u>3,009,767</u></u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(4,982)
Interest and Fiscal Charges	(43,592)
Capital Lease Principal Payments	<u>(230,000)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u><u>(278,574)</u></u>

Cash Flows from Investing Activities:

Interest	<u>124</u>
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Net Increase in Cash and Cash Equivalents 841,326

Cash at Beginning of Year 1,575,926

Cash at End of Year \$2,417,252

Reconciliation of Operating Loss to Net

Cash Used in Operating Activities:

Operating Loss	<u>(\$2,122,431)</u>
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Adjustments to Reconcile Operating

Loss to Net Cash Used in Operating Activities:

Depreciation	171,931
Decrease (Increase) in Assets:	
Intergovernmental Receivable	(4,145)
Accounts Receivable	6,315
Increase (Decrease) in Liabilities:	
Accounts Payable	139,444
Intergovernmental Payable	(79,108)
Contractually Required Contributions	(5,528)
Pension Expense	<u>3,531</u>

Total Adjustments 232,440

Net Cash Used in Operating Activities (\$1,889,991)

Non-Cash Transactions:

The School had outstanding intergovernmental receivables related to non-operating grants of \$18,763 at June 30, 2015.

During fiscal year 2015, the School had \$562,500 in unearned revenue outstanding.

See accompanying notes to the basic financial statements

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Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 1 – Description of the School and Reporting Entity

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

The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax-exempt status.

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

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

The School participates in two jointly governed organizations. These organizations are presented in Note 12 to the basic financial statements. These organizations are:

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

Note 2 – Summary of Significant Accounting Policies

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

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 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.

Measurement Focus

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

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources are reported on the government-wide statement of net position for pension. The deferred inflows of resources related to pension are explained in Note 7.

Expenses

Expenses are recognized at the time they are incurred.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and expense, information about the fiduciary net position of the pension plan and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pensions system reports investments at fair value.

Equity in Pooled Cash

The School's Treasurer accounts for all monies received by the School. The School maintains two interest bearing depository accounts and one non-interest bearing account and all funds of the School are maintained in this account. These accounts are presented on the statement of net position as "Equity in Pooled Cash". The School did not have any investments during fiscal year 2015.

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.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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

Accrued Liabilities and Long-Term Obligations

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

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.

Net Position

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

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

Operating Revenues and Expenses

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

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Budgetary Process

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does not require the School to prepare a five-year projection but the STEM school did prepare one in fiscal year 2015.

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.

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$4,974,460
Adjustments:	
Net Pension Liability	(71,122)
Deferred Outflow - Payments Subsequent To Measurement Date	<u>4,815</u>
Restated Net Position June 30, 2014	<u><u>\$4,908,153</u></u>

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – 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.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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 or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 5 – Receivables

Receivables at June 30, 2015, consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
State Foundation Adjustment	\$4,145
Race to the Top	7,891
Title I	9,298
Title II-A	1,574
Total Intergovernmental Receivable	\$22,908

Note 6 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Capital Assets Not Being Depreciated:				
Land	\$824,870	\$0	\$0	\$824,870
Capital Assets Being Depreciated:				
Buildings and Improvements	7,811,389	0	0	7,811,389
Furniture, Fixtures and Equipment	113,051	4,982	0	118,033
Total Capital Assets				
Being Depreciated	7,924,440	4,982	0	7,929,422
Less Accumulated Depreciation:				
Buildings and Improvements	(295,727)	(156,228)	0	(451,955)
Furniture, Fixtures and Equipment	(75,944)	(15,703)	0	(91,647)
Total Accumulated Depreciation	(371,671)	(171,931)	0	(543,602)
Total Capital Assets				
Being Depreciated, Net:	7,552,769	(166,949)	0	7,385,820
Capital Assets, Net	\$8,377,639	(\$166,949)	\$0	\$8,210,690

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of the State Employee Retirement System plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the State Employee Retirement System plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

All of the School's teaching personnel are employees of Wright State University. These employees are covered under Wright State University's retirement system. All other employees of the School are covered by the School Employees Retirement System of Ohio, therefore the School does not contribute to the State Teachers Retirement System of Ohio.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 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 statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School’s contractually required contributions to SERS was \$5,528 for fiscal year 2015.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS
Proportionate Share of the Net Pension Liability	\$60,529
Proportion of the Net Pension Liability	0.0011960%
Pension Expense	\$3,531

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$515
School District contributions subsequent to the measurement date	5,528
Total Deferred Outflows of Resources	\$6,043
 Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$9,824

\$5,528 reported as deferred outflows of resources related to pension resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30:	<u>SERS</u>
2016	(\$2,326)
2017	(2,326)
2018	(2,326)
2019	<u>(2,331)</u>
Total	<u>(\$9,309)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$86,357	\$60,529	\$38,805

Note 8 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description – The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School's surcharge obligation was \$40,945.

The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,090, \$567, and \$291, respectively. The full amount has been contributed for all three fiscal years.

Note 9 – 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 2015, the School participated in the Southwestern Ohio Educational Purchasing Council (Note 12) for liability, fleet, and property insurance.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

Note 10 – Leases

Capital Lease

In a prior fiscal year, the School entered into a capitalized lease for land and buildings and improvements. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$4,579,035. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2015 totaled \$230,000.

The assets acquired through the capital lease are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Land	\$824,870	\$0	\$824,870
Buildings and Improvements	3,754,165	(286,530)	3,467,635
Totals	\$4,579,035	(\$286,530)	\$4,292,505

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, 2015.

Fiscal Year Ending June 30,	Total Payments
2016	\$454,921
2017	463,616
2018	456,167
2019	441,867
2020	429,233
2021-2025	2,504,175
2026	976,125
Total	5,726,104
Less: Amount Representing Interest	(1,609,437)
Present Value of Net Minimum Lease Payments	\$4,116,667

Operating Lease

During the year, the School entered into a non-cancelable operating lease. No payments were made during 2015. The future minimum lease payments for these leases are as follows:

Dayton Regional STEM School
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<u>Year</u>	<u>Amount</u>
2016	\$17,916
2017	17,916
2018	17,916
2019	17,916
2020	17,916
Total	<u><u>\$89,580</u></u>

Note 11 – Long-Term Obligations

The changes in the School’s long-term obligations during fiscal year 2015 were as follows:

	Outstanding 6/30/14	Additions	Deductions	Outstanding 6/30/15	Due Within One Year
Leases Payable	\$4,346,667	\$0	\$230,000	\$4,116,667	\$230,000
Net SERS Pension Liability	71,122	0	10,593	60,529	0
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$4,417,789</u></u>	<u><u>\$0</u></u>	<u><u>\$240,593</u></u>	<u><u>\$4,177,196</u></u>	<u><u>\$230,000</u></u>

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

Note 12 – Jointly Governed Organizations

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 \$11,373 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.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Southwestern Ohio Educational Purchasing Council:

The School participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 132 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. The Council exercises total control over the operations of the coalition including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2015, the School paid \$17,094 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.

Note 13 – Related Party Transactions

The School contracts with Wright State University to utilize certain personnel and other resources. During fiscal year 2015, the Wright State University paid \$2,629,794 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.

Note 14 – Contingencies

Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2015, if applicable, cannot be determined at this time.

School Foundation

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

Note 15 – Purchased Services

For the fiscal year ended June 30 2015, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$3,088,282
Travel	3,749
Property Services	201,090
Communication	1,494
Wright State University	2,467,620
Other	52,228
Total	<u>\$5,814,463</u>

Note 16 – 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.

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.

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.

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

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.

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.

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.

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.

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

Dayton Regional STEM School
Notes to The Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

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.

Termination

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

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Dayton Regional STEM School
 Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School's Proportion of the Net Pension Liability	0.00119600%	0.00119600%
School's Proportionate Share of the Net Pension Liability	\$60,529	\$71,122
School's Covered-Employee Payroll	\$39,555	\$30,481
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	153.02%	233.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

Dayton Regional STEM School
Required Supplementary Information
Schedule of School Contributions
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$5,528	\$4,815	\$4,219
Contributions in Relation to the Contractually Required Contribution	<u>(5,528)</u>	<u>(4,815)</u>	<u>(4,219)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered-Employee Payroll	\$41,943	\$39,555	\$30,481
Contributions as a Percentage of Covered-Employee Payroll	13.18%	12.17%	13.84%

(1) Fiscal year 2013 is the first year the School made contributions to SERS.



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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Dayton Regional STEM School, Montgomery County, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 14, 2016, , wherein we noted the School adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 14, 2016



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
AUGUST 2, 2016**