DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY

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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, 2016, 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 such 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 overall financial statement presentation.

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

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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, 2016, 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* 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 April 13, 2017, 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

Dave Yost
Auditor of State
Columbus, Ohio

April 13, 2017

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, 2016. 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 2016, the School had an increase in current assets which is due to the School having more cash on hand at the end of fiscal year 2016 than the previous year. The increase in cash and cash equivalents is due to an increase in revenues from State foundation payments and federal and State grants, while expenditures decreased.

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 2016. 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 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 2016 and fiscal year 2015:

(Table 1)
Net Position

	2016	2015	Change
Assets:			
Current Assets	$343,285	$115,653	$227,632
Capital Assets, Net	1,763,212	1,800,826	(37,614)
Total Assets	2,106,497	1,916,479	190,018
Deferred Outflow of Resources:			
Pension	315,488	126,561	188,927
Liabilities:			
Current Liabilities	56,695	64,962	(8,267)
Noncurrent Liabilities	1,959,449	1,606,582	352,867
Total Liabilities	2,016,144	1,671,544	344,600
Deferred Inflow of Resources:			
Pension	136,993	287,962	(150,969)
Net Position:			
Net Investment in Capital Assets	1,763,212	1,800,826	(37,614)
Restricted	22,000	1,780	20,220
Unrestricted	(1,516,364)	(1,719,072)	202,708
Total Net Position	$268,848	$83,534	$185,314

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." 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 pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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.

GASB 68 requires the net pension liability to equal the School's proportionate share of each plan's collective:

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 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 each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased $190,018, due to an increase in cash and cash equivalents. Cash and cash equivalents increased due to an increase in foundation payments and State and federal grant revenue while expenditures decreased by 2.28 percent. The decrease in capital assets is due to current year depreciation and no current year additions.

Net position increased $185,314 due to the increase in current assets.

Table 2 shows the changes in net position for fiscal year 2016 and fiscal year 2015.

(Table 2)
Change in Net Position

	2016	2015	Change
Operating Revenues:			
State Foundation	$1,192,331	$1,005,815	$186,516
Donations	750	3,720	(2,970)
Miscellaneous	4,040	320	3,720
Total Operating Revenues	1,197,121	1,009,855	187,266
Non-Operating Revenues:			
Federal and State Grants	538,105	470,994	67,111
Total Revenues	1,735,226	1,480,849	254,377
Operating Expenses:			
Salaries	753,057	827,564	(74,507)
Fringe Benefits	338,936	314,707	24,229
Purchased Services	372,099	353,151	18,948
Materials and Supplies	48,206	53,105	(4,899)
Depreciation	37,614	37,614	0
Total Operating Expenses	1,549,912	1,586,141	(36,229)
Change in Net Position	185,314	(105,292)	290,606
Net Position at Beginning of Year	83,534	188,826	(105,292)
Net Position at End of Year	$268,848	$83,534	$185,314

Total revenues increased $254,377 as a result of increases in grants and State foundation received. Total operating revenues increased $187,266 due to increased enrollment. Non-operating revenues increased $67,111 due to an increase in restricted State grants received.

Overall, operating expenses decreased $36,229. Salaries decreased due to an administrator leaving and not being replaced.

Capital Assets

At the end of fiscal year 2016, the School had $1,763,212 net investment in capital assets. This represents a decrease of $37,614 from fiscal year 2015, which was due to fiscal year 2016 depreciation. Table 3 shows total capital assets for fiscal years 2016 and 2015:

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

	2016	2015
Land	$437,500	$437,500
Land Improvements	16,702	19,088
Buildings and Improvements	1,293,358	1,324,152
Furniture and Fixtures	15,652	20,086
Totals	$1,763,212	$1,800,826

For more information on capital assets, see Note 5 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
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current Assets:	
Equity in Pooled Cash	
Cash and Cash Equivalents	$324,603
Intergovernmental Receivable	18,362
Accounts Receivable	320
Total Current Assets	343,285
Non-Current Assets:	
Capital Assets:	
Nondepreciable Capital Assets	437,500
Depreciable Capital Assets, Net	1,325,712
Total Non-Current Assets	1,763,212
Deferred Outflow of Resources:	
Pension	315,488
Total Assets	2,421,985
Liabilities:	
Current Liabilities:	
Accounts Payable	8,048
Intergovernmental Payable	5,860
Accrued Wages and Benefits Payable	36,167
Vacation Leave Payable	6,620
Total Current Liabilities	56,695
Non-Current Liabilities:	
Due In More Than One Year	
Net Pension Liability	1,959,449
Deferred Inflows of Resources:	
Pension	136,993
Total Liabilities	2,153,137
Net Position:	
Net Investment in Capital Assets	1,763,212
Restricted:	
Federal Grants	22,000
Unrestricted (Deficit)	(1,516,364)
Total Net Position	$268,848

See accompanying notes to the basic financial statements

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenues:	
State Foundation	$1,192,331
Donations	750
Miscellaneous	4,040
Total Operating Revenues	1,197,121
Operating Expenses:	
Salaries	753,057
Fringe Benefits	338,936
Purchased Services	372,099
Materials and Supplies	48,206
Depreciation	37,614
Total Operating Expenses	1,549,912
Operating Loss	(352,791)
Non-Operating Revenues:	
Federal and State Grants	538,105
Change in Net Position	185,314
Net Position at Beginning of Year	83,534
Net Position at End of Year	$268,848

See accompanying notes to the basic financial statements

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Increase (Decrease) in Equity in Pooled Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,190,576
Cash Received from Donations	750
Cash Received from Miscellaneous Sources	4,040
Cash Payments for Employees	(1,085,106)
Cash Payments to Suppliers for Goods and Services	(420,733)
Net Cash Used for Operating Activities	(310,473)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	521,557
Net Increase in Equity in Pooled Cash	211,084
Equity in Pooled Cash at Beginning of Year	113,519
Equity in Pooled Cash at End of Year	$324,603
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($352,791)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	37,614
Changes in Assets and Liabilities:	
Increase in Deferred Outflows Net Pension Liability	(188,927)
Increase in Accounts Payable	75
Decrease in Accrued Wages and Benefits Payable	(5,174)
Decrease in Intergovernmental Payable	(3,057)
Decrease in Vacation Leave Payable	(111)
Increase in Net Pension Liability	352,867
Decrease in Deferred Inflows Net Pension Liability	(150,969)
Total Adjustments	42,318
Net Cash Used for Operating Activities	($310,473)

Noncash:

The School had outstanding intergovernmental receivables related to non-operating grants of $18,362 at June 30, 2016.

See accompanying notes to the basic financial statements

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Note 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 six-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 11 to the basic financial statements. This organization is:

Jointly Governed Organization:
Metropolitan Educational Technology Association (META)

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 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.

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.

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 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 total 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.

Expenses

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

Equity in Pooled Cash

The School maintains a 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 2016.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) 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:

Description	Estimated Life
Land Improvements	10 years
Buildings and Improvements	50 years
Furniture and Fixtures	5-30 years

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 administrative 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 nine years.

Accrued Liabilities and Long-term Obligations

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

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 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 include pension. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 7)

Pensions

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

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

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.

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.

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.

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.

Note 3 – Deposits

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

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

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

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

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

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

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

5. Bonds and other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

Note 4 – Receivables

Receivables at June 30, 2016 consisted of intergovernmental (Federal grants) and accounts. All receivables are considered collectible in full and will be received within one year. The school's intergovernmental receivables are as follows:

Title I	$4,445
Improving Teacher Quality	13,917
	$18,362

Note 5 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016 was as follows:

	Balance At 6/30/2015	Additions	Deletions	Balance At 6/30/2016
Capital Assets, Not Being Depreciated:				
Land	$437,500	$0	$0	$437,500
Depreciable Capital Assets:				
Land Improvements	23,860	0	0	23,860
Buildings and Improvements	1,539,710	0	0	1,539,710
Furniture and Fixtures	49,699	0	0	49,699
Total Depreciable Capital Assets	1,613,269	0	0	1,613,269
Less Accumulated Depreciation:				
Land Improvements	(4,772)	(2,386)	0	(7,158)
Buildings and Improvements	(215,558)	(30,794)	0	(246,352)
Furniture and Fixtures	(29,613)	(4,434)	0	(34,047)
Total Accumulated Depreciation	(249,943)	(37,614)	0	(287,557)
Depreciable Capital Assets, Net	1,363,326	(37,614)	0	1,325,712
Total Capital Assets, Net	$1,800,826	($37,614)	$0	$1,763,212

Note 6 – Risk Management

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 2016, 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 $2 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.

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.

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 each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension 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 plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each 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 each 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 the accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – the School's 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School's contractually required contribution to SERS was $25,420 for fiscal year 2016. Of this amount $242 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – the School's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $86,286 for fiscal year 2016. Of this amount $4,821 is reported as an intergovernmental payable.

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, 2015, 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	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00806100%	0.00492783%	
Proportion of the Net Pension Liability Current Measurement Date	0.00775660%	0.00548846%	
Change in Proportionate Share	-0.00030440%	0.00056063%	
Proportionate Share of the Net Pension Liability	$442,599	$1,516,850	$1,959,449
Pension Expense	$23,824	$100,853	$124,677

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$7,127	$69,149	$76,276
Changes in proportionate share and difference between School contributions and proportionate share of contributions	0	127,506	127,506
School contributions subsequent to the measurement date	25,420	86,286	111,706
Total Deferred Outflows of Resources	$32,547	$282,941	$315,488
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$14,665	$109,090	$123,755
Changes in proportionate share and difference between School contributions and proportionate share of contributions	13,238	0	13,238
Total Deferred Inflows of Resources	$27,903	$109,090	$136,993

$111,706 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	($9,555)	$7,259	($2,296)
2018	(9,555)	7,259	(2,296)
2019	(9,589)	7,259	(2,330)
2020	7,923	65,788	73,711
Total	($20,776)	$87,565	$66,789

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, 2015, 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.

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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced 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
Total	100.00 %	

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$613,726	$442,599	$298,496

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuations prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School’s net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption base on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$2,107,019	$1,516,850	$1,017,774

Note 8 – Post-Employment 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 2016, no allocation 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 2016, this amount was $23,000. 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 2016, the School District's surcharge obligation was $28.

The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $2,256, and $1,338, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS 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. 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 2016, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $5,189, respectively. The full amount has been contributed for all three fiscal years.

Note 9 – Employee Benefits

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:

Length of Service	Maximum Severance Payouts
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.

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 monthly.

Note 10 – Long-Term Obligations

	Amount Outstanding 6/30/15	Additions	Deductions	Amount Outstanding 6/30/16
Net Pension Liability:				
STRS	$1,198,619	$318,231	$0	$1,516,850
SERS	407,963	34,636	0	442,599
Total Long-Term Obligations	$1,606,582	$352,867	$0	$1,959,449

The School pays obligations relating to employee compensation from the fund benefitting from their service.

Note 11 – Jointly Governed Organization

Metropolitan Educational Technology Association

The School is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Excutive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School paid META $6,320 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Note 12 – Contingencies

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.

School Foundation

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, community schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The 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, 2016 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.

Litigation

The School is not party to any legal proceedings.

Note 13 – Purchased Services

For the period ended June 30, 2016, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	$141,251
Property Services	137,166
Pupil Transportation	3,200
Communications	13,165
Food Service	73,580
Other	3,737
Total Expenses	$372,099

Note 14 – Related Party Transactions

As stated in Note 1, Dayton City School District is the School's sponsor. During the fiscal year ended June 30, 2016, 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 2016, the School reported expenses paid to Dayton City School District in the amount of $274,056.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFROMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.0077566%	0.0080610%	0.0080610%
School's Proportionate Share of the Net Pension Liability	$442,599	$407,963	$479,362
School's Covered-Employee Payroll	$236,364	$228,550	$192,069
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	187.25%	178.50%	249.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFROMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00548846%	0.00492783%	0.00492783%
School's Proportionate Share of the Net Pension Liability	$1,516,850	$1,198,619	$1,427,787
School's Covered-Employee Payroll	$574,264	$517,836	$461,100
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.14%	231.47%	309.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFROMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST NINE FISCAL YEARS (1)

	2016	2015	2014	2013
Contractually Required Contribution	$25,420	$31,153	$31,677	$26,582
Contributions in Relation to the Contractually Required Contribution	(25,420)	(31,153)	(31,677)	(26,582)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School Covered-Employee Payroll	$181,571	$236,364	$228,550	$192,069
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2008 is not available.

2012	2011	2010	2009	2008
$11,030	$19,610	$19,907	$10,858	$3,974
(11,030)	(19,610)	(19,907)	(10,858)	(3,974)
$0	$0	$0	$0	$0
$82,008	$156,003	$147,027	$110,341	$40,469
13.45%	12.57%	13.54%	9.84%	9.82%

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFROMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2016	2015	2014	2013
Contractually Required Contribution	$86,286	$80,397	$67,319	$59,943
Contributions in Relation to the Contractually Required Contribution	(86,286)	(80,397)	(67,319)	(59,943)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School Covered-Employee Payroll	$616,329	$574,264	$517,836	$461,100
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
$74,909	$67,286	$71,214	$73,246	$69,404	$58,242
(74,909)	(67,286)	(71,214)	(73,246)	(69,404)	(58,242)
$0	$0	$0	$0	$0	$0
$576,223	$517,585	$547,800	$563,431	$533,877	$448,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 13, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

School's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 13, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 3314.08(H)(2) states, in part, that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school. A student's enrollment shall be considered to cease on the date on which any of the following occur:

a. The community school receives documentation from a parent terminating enrollment of the student.
b. The community school is provided documentation of a student's enrollment in another public or private school.
c. The community school ceases to offer learning opportunities to the student pursuant to the terms of the contract with the sponsor or the operation of any provision of this chapter.

Dayton Business Technology High School’s Student Handbook, Version 1.6 (updated 7/14/15) “School Procedure For Truancy” states, in part, that a student with five or more unexcused absences on consecutive school days, or seven or more unexcused absences in one school month, or twelve or more unexcused absences in one school year, may be considered a “habitual” truant under Section 3321.191 of the Ohio Revised Code, and may be subject to action by the School.

Furthermore, the **Successor Community School Sponsorship Contract, Exhibit 1, Section D** between the School and the Dayton City School District Board of Education in place for fiscal year 2016 states, in part, that each student's personal, academic, and career goals are tracked in an Individualized Student Plan (ISP), which will be completed at intake and will be revised semi-annually to track progress and reaffirm goals.

We identified that 5 of the 19 student enrollments tested for the audit period did not have clear documentation related to the timeliness of enrollment and the beginning of learning opportunities. Time lapses ranging from 5 days to 48 days were identified between when enrollment occurred according to the signed enrollment form and when documented learning opportunities occurred according to attendance records. Additionally, the enrollment date according to the School's student tracking system identified a date that differed from the other two sources of information.

We tested 10 students for attendance purposes and identified that none of the students tested had the required ISP within their student files that would show goals or progress.

FINDING NUMBER 2016-001
(Continued)

Additionally, for student withdrawals tested, the School was not able to clarify what procedure was followed when withdrawing students for truancy purposes, as there were a variety of time spans identified related to students that were withdrawn for truancy purposes. Six students tested were identified as being withdrawn for truancy purposes, but the calculated variances from the 105 hour rule ranged from three hours more than 105 hours to 10 hours less than 105 hours. Additionally, there was one withdrawn student tested in which there were 33 school days between the last recorded date of attendance and the date the student was withdrawn from EMIS. This student should have been withdrawn for truancy purposes prior to the date that the student was actually withdrawn.

The lack of timely student enrollments and withdrawals could lead to inaccurate reporting of student full-time equivalency to the Ohio Department of Education (ODE), which could lead to improper funding paid to the School and inaccurate financial statement information.

The School should take steps to verify that enrollment and withdrawal of students is performed timely, is supported by proper documentation, and adheres to ODE guidelines and the School's policies. The issue will be referred to ODE.

Officials' Response:

The Sponsor has taken measures to review student withdrawals on a monthly basis. This review ensures all student documentation is available and withdrawals are processed in a timely manner. The Treasurer will recommend the Board take additional steps to engage in training opportunities and/or other oversight over the student reporting systems.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 3314.08(H), in part, states that the department of education shall adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, shall adopt in accordance with Chapter 119 of the Revised Code rules governing the payments to community schools under this section including initial payments in a school year and adjustments and reductions made in subsequent periodic payments to community schools and corresponding deductions from school district accounts as provided under division (C) of this section. For purposes of this section:

> (2) A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.

FINDING NUMBER 2016-002
(Continued)

> (3) The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year.

Dayton Business Technology High School's Student Handbook, Version 1.6 (updated 7/14/15) "Student Attendance Policy", "Attendance Tracking" section states, in part, that per Ohio Rev. Code Section 3317.03(E), student attendance will be taken once daily. Further, all students attending the School are required to sign in every day and the student is either present or absent for the entire day or half of the day.

According to the ORC section referred to within the Attendance Tracking section above, it is not specifically stated that attendance will be taken once daily.

The School's only documented procedure to report student full-time equivalency (FTE) during fiscal year 2016 was to track student attendance based upon an attendance sign-in log that was kept at the School, which was then to be input into the Education Management Information System (EMIS) once per day. However, it was identified during student attendance testing that there were numerous instances in which a student was counted as "absent" according to the attendance log, but logged into the online Programmed Logic for Automatic Teaching Operations (PLATO) system and participated in learning opportunities. We also identified that there were numerous instances in which a student was counted as "present", but was not on the attendance log, was not logged into the online PLATO system, and there was no evidence to suggest that the student participated in learning opportunities.

Upon further inquiry of School personnel and investigation of records, it was determined that the School used the attendance sign-in log to input information into EMIS for FTE reporting purposes and the sign-in log was only checked/input one time per day. Therefore, if a student signed in late or signed out early, the FTE was not changed in the EMIS system and therefore, the true student count was not logged correctly. Additionally, we determined that there was no indication that any of the student time documented as logged into the online PLATO system for blended learners was utilized as a part of the calculation related to true learning opportunities for the student. Consequently, we determined that there was a material weakness related to the calculation of learning opportunities for each student that attended the School during fiscal year 2016.

The lack of ability to track true student attendance and learning opportunities, including any time related to blended learning opportunities, could lead to inaccurate reporting of FTE to ODE, which could lead to improper funding paid to the School and inaccurate financial statement information.

The School should review ODE's most recent FTE manual to determine what information is required to support FTE requirements in the future. Based on the current FTE manual, the School should develop policies and procedures to capture the duration of student learning opportunities related to computer and non-computer time. The issue will be referred to ODE.

**FINDING NUMBER 2016-002
(Continued)**

Officials' Response:

Dayton Business Technology High School engaged with a firm to rebuild the School's policy manual. The build was done in early FY17 and is continually updated to align with school procedures and updates to State laws. Additionally, effective in FY17, the School no longer offers blended learning as part of its programming.

FINDING NUMBER 2016-003

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 3314.03(A)(29)(d) states, in part, that each contract entered into between a sponsor and the governing authority of a community school operating under a blended learning model shall specify the school's attendance requirements, including how the school will document participation in learning opportunities.

Exhibit 1 within the School's contract with Dayton City School District (the Sponsor) defines the School's educational plan. At no point within the sponsor contract does it specify how the School or the Sponsor intends to comply with documenting the school's attendance requirements, including how the school will document participation in learning opportunities as established by ODE.

This broad approach to the sponsor contract and the use of non-specific verbiage could cause the School to fail to comply with Ohio law and with requirements established by the Ohio Department of Education. These potential failures could affect the Sponsor's ability to continue sponsoring schools in the future as well as have a potential impact on the School's funding from ODE.

The Sponsor and School should develop a contract that provides specific definitions and procedures that will help ensure compliance with the various Ohio Rev. Code Sections, as well as the various requirements of ODE. The issue will be referred to ODE.

Officials' Response:

Effective in FY17, the School no longer offers blended learning as part of its programming.

Dave Yost · Auditor of State

DAYTON TECHNOLOGY DESIGN HIGH SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 16, 2017

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