



Dave Yost • Auditor of State

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Dayton Business Technology High School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2017, 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 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 the Dayton Business Technology High School, Montgomery County as of June 30, 2017, 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

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 16 to the financial statements, the School's sponsor contract has been cancelled effective June 30, 2018 and the School has disclosed that substantial doubt exists about its ability to continue as a going concern. Note 16 describes Management's evaluation of this event and their plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified 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 April 26, 2018, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 26, 2018

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The discussion and analysis of the Dayton Business Technology High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. 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 2017, the School had a decrease in total net position when compared to the prior fiscal year. This decrease is related to a decrease in enrollment compared to the prior 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 2017. 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 2017 and fiscal year 2016:

(Table 1)
Net Position

	2017	2016	Change
Assets:			
Current Assets	\$388,405	\$343,285	\$45,120
Capital Assets, Net	1,794,030	1,763,212	30,818
<i>Total Assets</i>	\$2,182,435	\$2,106,497	\$75,938

(continued)

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

(Table 1)			
Net Position			
(Continued)			
	2017	2016	Change
Deferred Outflow of Resources:			
Pension	\$496,545	\$315,488	\$181,057
Liabilities:			
Current Liabilities	164,866	56,695	108,171
Due in More Than One Year:			
Net Pension Liability	2,251,367	1,959,449	291,918
Other Amounts	6,506	0	6,506
<i>Total Liabilities</i>	2,422,739	2,016,144	406,595
Deferred Inflow of Resources:			
Pension	102,074	136,993	(34,919)
Net Position:			
Net Investment in Capital Assets	1,794,030	1,763,212	30,818
Restricted	9,992	22,000	(12,008)
Unrestricted	(1,649,855)	(1,516,364)	(133,491)
<i>Total Net Position</i>	\$154,167	\$268,848	(\$114,681)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2017 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:

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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 \$75,938, due to an increase in intergovernmental receivable and capital assets. The increase in intergovernmental receivable is due to the School not receiving all of the grant money prior to fiscal year-end. Capital assets increased \$30,818 due to current year additions exceeding depreciation.

Unrestricted net position decreased \$133,491 due to a significant increase in the net pension liability.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Table 2 shows the changes in net position for fiscal year 2017 and fiscal year 2016.

(Table 2)
Change in Net Position

	2017	2016	Change
Operating Revenues:			
State Foundation	\$1,010,654	\$1,192,331	(\$181,677)
Donations	0	750	(750)
Miscellaneous	8,227	4,040	4,187
<i>Total Operating Revenues</i>	<u>1,018,881</u>	<u>1,197,121</u>	<u>(178,240)</u>
Non-Operating Revenues:			
Federal and State Grants	330,227	538,105	(207,878)
<i>Total Revenues</i>	<u>1,349,108</u>	<u>1,735,226</u>	<u>(386,118)</u>
Operating Expenses:			
Salaries	761,110	753,057	8,053
Fringe Benefits	244,796	338,936	(94,140)
Purchased Services	348,628	372,099	(23,471)
Materials and Supplies	71,641	48,206	23,435
Depreciation	37,614	37,614	0
<i>Total Operating Expenses</i>	<u>1,463,789</u>	<u>1,549,912</u>	<u>(86,123)</u>
<i>Change in Net Position</i>	(114,681)	185,314	(299,995)
<i>Net Position at Beginning of Year</i>	<u>268,848</u>	<u>83,534</u>	<u>185,314</u>
<i>Net Position at End of Year</i>	<u><u>\$154,167</u></u>	<u><u>\$268,848</u></u>	<u><u>(\$114,681)</u></u>

Total revenues decreased \$386,118 as a result of decreasing enrollment. Total operating revenues decreased \$178,240 due to reduction in State foundation payments related to the decrease in enrollment. Non-operating revenues decreased \$207,878 due to a decrease in restricted Federal and State grants received.

Overall, operating expenses decreased \$86,123. Fringe benefits decreased due to a change in the net pension liability as the School's proportionate share increased.

Capital Assets

At the end of fiscal year 2017, the School had \$1,794,030 net investment in capital assets. This represents an increase of \$30,818 from fiscal year 2016, which was due to current year additions exceeding depreciation. Table 3 shows total capital assets for fiscal years 2017 and 2016:

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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

	2017	2016
Land	\$437,500	\$437,500
Land Improvements	14,316	16,702
Buildings and Improvements	1,329,314	1,293,358
Furniture and Fixtures	12,900	15,652
Totals	\$1,794,030	\$1,763,212

For more information on capital assets, see Note 6 to the basic financial statements.

On December 15, 2017 the Board issued a notice of their intent not to renew the sponsorship contract to the School's sponsor, Dayton City School District. On December 19, 2017 the sponsor's Board voted to non-renew the sponsorship agreement. The current sponsor contract expires June 30, 2018. As of the date of this report, the School does not have a Sponsor for fiscal year 2019. If a sponsor is not found, the School will be forced to close effective June 30, 2018. The School is in negotiations with Dayton City School District Board of Education to work out an equitable sponsorship agreement for fiscal year 2019.

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.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$349,443
Intergovernmental Receivable	38,108
Accounts Receivable	<u>854</u>
<i>Total Current Assets</i>	<u>388,405</u>
Non-Current Assets:	
Capital Assets:	
Nondepreciable Capital Assets	437,500
Depreciable Capital Assets, Net	<u>1,356,530</u>
<i>Total Non-Current Assets</i>	<u>1,794,030</u>
Deferred Outflow of Resources:	
Pension	<u>496,545</u>
<i>Total Assets and Deferred Outflow of Resources</i>	<u>2,678,980</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	10,826
Intergovernmental Payable	106,306
Accrued Wages and Benefits Payable	44,816
Vacation Leave Payable	<u>2,918</u>
<i>Total Current Liabilities</i>	<u>164,866</u>
Non-Current Liabilities:	
Due In More Than One Year	
Compensated Absences Payable	6,506
Net Pension Liability	<u>2,251,367</u>
<i>Total Non-Current Liabilities</i>	<u>2,257,873</u>
Deferred Inflows of Resources:	
Pension	<u>102,074</u>
<i>Total Liabilities and Deferred Inflow of Resources</i>	<u>2,524,813</u>
Net Position:	
Net Investment in Capital Assets	1,794,030
Restricted:	
Federal Grants	9,992
Unrestricted (Deficit)	<u>(1,649,855)</u>
<i>Total Net Position</i>	<u><u>\$154,167</u></u>

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, 2017

Operating Revenues:	
State Foundation	\$1,010,654
Miscellaneous	8,227
	<hr/>
<i>Total Operating Revenues</i>	1,018,881
	<hr/>
Operating Expenses:	
Salaries	761,110
Fringe Benefits	244,796
Purchased Services	348,628
Materials and Supplies	71,641
Depreciation	37,614
	<hr/>
<i>Total Operating Expenses</i>	1,463,789
	<hr/>
<i>Operating Loss</i>	(444,908)
 Non-Operating Revenues:	
Federal and State Grants	330,227
	<hr/>
<i>Change in Net Position</i>	(114,681)
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<i>Net Position at Beginning of Year</i>	268,848
	<hr/>
<i>Net Position at End of Year</i>	\$154,167
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See accompanying notes to the basic financial statements

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Increase (Decrease) in Equity in Pooled Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$1,011,057
Cash Received from Miscellaneous Sources	4,149
Cash Payments for Employees	(917,175)
Cash Payments to Suppliers for Goods and Services	(318,784)

<i>Net Cash Used for Operating Activities</i>	(220,753)
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Cash Flows from Noncapital Financing Activities:

Cash Received from Federal and State Grants	314,025
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Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	(68,432)
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<i>Net Increase in Equity in Pooled Cash and Cash Equivalents</i>	24,840
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<i>Equity in Pooled Cash and Cash Equivalents at Beginning of Year</i>	324,603
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<i>Equity in Pooled Cash and Cash Equivalents at End of Year</i>	<u>\$349,443</u>
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Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(444,908)
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Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	37,614
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:	
Increase in Accounts Receivable	(534)
Increase in Intergovernmental Receivable	(3,544)
Increase in Deferred Outflows Pension	(181,057)
Increase in Accounts Payable	2,778
Increase in Accrued Wages and Benefits Payable	8,649
Increase in Intergovernmental Payable	100,446
Decrease in Vacation Leave Payable	(3,702)
Increase in Compensated Absences Payable	6,506
Increase in Net Pension Liability	291,918
Decrease in Deferred Inflows Pension	(34,919)

<i>Total Adjustments</i>	224,155
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<i>Net Cash Used for Operating Activities</i>	<u>(\$220,753)</u>
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Noncash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$34,564 at June 30, 2017.

See accompanying notes to the basic financial statements

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, which was renewed on June 7, 2011 for an additional five year period. The School renewed its contract on June 21, 2016 with the Dayton City School District for a period of two years commencing on July 1, 2016. Under the terms of its contract with the Sponsor, the School has access to facilities, staff, equipment, instructional materials, curriculum, and the educational strategy of the Sponsor as determined appropriate. The Sponsor may, at its sole option, accelerate the expiration of the contract for any reason by giving written notice of its intent to the School by May 1 of any given year, in which the contract will expire on June 30 of the same year.

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

The School participates in one jointly governed organization. This organization is presented in Note 12 to the basic financial statements. This organization is:

Jointly Governed Organization:
Metropolitan Educational Technology Association (META)

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 and Cash Equivalents

The School maintains non-interest bearing depository accounts. All funds of the School are maintained in these accounts. These accounts are presented on the statement of net position as “Equity in Pooled Cash.” The School had no investments during fiscal year 2017.

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 for assets acquired prior to July 2016 and \$5,000 for subsequently purchased assets. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Life</u>
Land Improvements	10 years
Buildings and Improvements	20-50 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.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 11 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 8.

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 8)

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 position 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

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
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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 – Change in Accounting Principle

For fiscal year 2017, the School implemented GASB's Implementation Guide No. 2016-1. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

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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.

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);

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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.

The School District had no investments during fiscal year 2017.

Note 5 – Receivables

Receivables at June 30, 2017 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	\$27,144
Improving Teacher Quality	7,420
Bureau of Worker's Compensation	3,544
Total	<u>\$38,108</u>

Note 6 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance At 6/30/2016	Additions	Deletions	Balance At 6/30/2017
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	66,750	0	1,606,460
Furniture and Fixtures	49,699	1,682	0	51,381
Total Depreciable Capital Assets	<u>1,613,269</u>	<u>68,432</u>	<u>0</u>	<u>1,681,701</u>
Less Accumulated Depreciation:				
Land Improvements	(7,158)	(2,386)	0	(9,544)
Buildings and Improvements	(246,352)	(30,794)	0	(277,146)
Furniture and Fixtures	(34,047)	(4,434)	0	(38,481)
Total Accumulated Depreciation	<u>(287,557)</u>	<u>(37,614)</u>	<u>0</u>	<u>(325,171)</u>
Depreciable Capital Assets, Net	<u>1,325,712</u>	<u>30,818</u>	<u>0</u>	<u>1,356,530</u>
Total Capital Assets, Net	<u>\$1,763,212</u>	<u>\$30,818</u>	<u>\$0</u>	<u>\$1,794,030</u>

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Note 7 – 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 2017, 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 8 – 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.

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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 both the accrual and modified accrual bases of accounting.

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 years 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.

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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, 2017, 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 \$24,555 for fiscal year 2017. Of this amount \$254 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$81,295 for fiscal year 2017. Of this amount \$6,020 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, 2016, 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:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.00775660%	0.00548846%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.00597160%</u>	<u>0.00542019%</u>	
Change in Proportionate Share	<u>-0.00178500%</u>	<u>-0.00006827%</u>	
Proportionate Share of the Net			
Pension Liability	\$437,067	\$1,814,300	\$2,251,367
Pension Expense	\$13,185	\$161,953	\$175,138

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$5,895	\$73,306	\$79,201
Changes of assumptions	29,177	0	29,177
Net difference between projected and actual earnings on pension plan investments	36,052	150,636	186,688
Changes in proportionate share and difference between School contributions and proportionate share of contributions	0	95,629	95,629
School contributions subsequent to the measurement date	<u>24,555</u>	<u>81,295</u>	<u>105,850</u>
Total Deferred Outflows of Resources	<u>\$95,679</u>	<u>\$400,866</u>	<u>\$496,545</u>
Deferred Inflows of Resources:			
Changes in proportionate share and difference between School contributions and proportionate share of contributions	<u>\$85,197</u>	<u>\$16,877</u>	<u>\$102,074</u>

\$105,850 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$14,444)	\$63,115	\$48,671
2019	(14,469)	63,114	48,645
2020	4,476	120,916	125,392
2021	10,364	55,549	65,913
Total	(\$14,073)	\$302,694	\$288,621

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, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity

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Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$578,648	\$437,067	\$318,556

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 of future plan members, are excluded. 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, 2016. 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, 2016.

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	\$2,411,059	\$1,814,300	\$1,310,901

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School's NPL is expected to be significant.

Note 9 – 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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and

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prescription drug plans, respectively. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School's surcharge obligation was \$2,299.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$2,299, \$28, and \$2,256, 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 partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 10 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements of Dayton City School, 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:

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

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

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.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 11 – Long-Term Obligations

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Due Within One Year
Long-Term Obligations					
Net Pension Liability:					
STRS	\$1,516,850	\$297,450	\$0	\$1,814,300	\$0
SERS	442,599	0	5,532	437,067	0
Total Net Pension Liability	1,959,449	297,450	5,532	2,251,367	0
Compensated Absences	0	6,506	0	6,506	0
Total Long-Term Obligations	<u>\$1,959,449</u>	<u>\$303,956</u>	<u>\$5,532</u>	<u>\$2,257,873</u>	<u>\$0</u>

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, IDEA-B, and Title I. For additional information related to the net pension liability see Note 8.

Note 12 – 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 Executive 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 \$8,102 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 13 – 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.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

School Foundation

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017 and determined the School was overpaid by \$403. This amount is reported as intergovernmental payable on the statement of net position.

Litigation

The School is not party to any legal proceedings.

Note 14 – Purchased Services

For the period ended June 30, 2017, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$210,704
Property Services	98,314
Pupil Transportation	2,490
Communications	18,056
Other	19,064
Total Expenses	<u>\$348,628</u>

Note 15 – Related Party Transactions

As stated in Note 1, Dayton City School District is the School's sponsor. During the fiscal year ended June 30, 2017, 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 2017, the School reported expenses paid to Dayton City School District in the amount of \$17,107. Additionally, at June 30, 2017 the School reported \$80,339 due to Dayton City School District for fiscal year 2017 and 2016 sponsor fees as intergovernmental payable.

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 16 – Subsequent Event

On December 15, 2017 the Board issued a notice of their intent not to renew the sponsorship contract to the School's sponsor Dayton City School District. On December 19, 2019 the sponsor's Board voted to non-renew the sponsorship agreement. The current sponsor contract expires June 30, 2018. As of the date of this report, the School does not have a Sponsor for fiscal year 2019. If a sponsor is not found, the School will be forced to close effective June 30, 2018.

The School is in negotiations with Dayton City School District Board of Education to work out an equitable sponsorship agreement for fiscal year 2019.

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Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Pension Liability	0.0059716%	0.0077566%	0.0080610%	0.0080610%
School's Proportionate Share of the Net Pension Liability	\$437,067	\$442,599	\$407,963	\$479,362
School's Covered-Employee Payroll	\$181,571	\$236,364	\$228,550	\$192,069
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	240.71%	187.25%	178.50%	249.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 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 INFORMATION
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Pension Liability	0.00542019%	0.00548846%	0.00492783%	0.00492783%
School's Proportionate Share of the Net Pension Liability	\$1,814,300	\$1,516,850	\$1,198,619	\$1,427,787
School's Covered-Employee Payroll	\$616,329	\$574,264	\$517,836	\$461,100
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	294.37%	264.14%	231.47%	309.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 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 INFORMATION
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$24,555	\$25,420	\$31,153	\$31,677
Contributions in Relation to the Contractually Required Contribution	<u>(24,555)</u>	<u>(25,420)</u>	<u>(31,153)</u>	<u>(31,677)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered-Employee Payroll	\$175,393	\$181,571	\$236,364	\$228,550
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$26,582	\$11,030	\$19,610	\$19,907	\$10,858	\$3,974
<u>(26,582)</u>	<u>(11,030)</u>	<u>(19,610)</u>	<u>(19,907)</u>	<u>(10,858)</u>	<u>(3,974)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$192,069	\$82,008	\$156,003	\$147,027	\$110,341	\$40,469
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$81,295	\$86,286	\$80,397	\$67,319
Contributions in Relation to the Contractually Required Contribution	<u>(81,295)</u>	<u>(86,286)</u>	<u>(80,397)</u>	<u>(67,319)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School Covered-Employee Payroll	\$580,679	\$616,329	\$574,264	\$517,836
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$59,943	\$74,909	\$67,286	\$71,214	\$73,246	\$69,404
<u>(59,943)</u>	<u>(74,909)</u>	<u>(67,286)</u>	<u>(71,214)</u>	<u>(73,246)</u>	<u>(69,404)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$461,100	\$576,223	\$517,585	\$547,800	\$563,431	\$533,877
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
 NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.



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

Dayton 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 the Dayton Business Technology High School, Montgomery County (the School) as of and for the year ended June 30, 2017, 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 26, 2018 wherein we noted the School disclosed substantial doubt exists about its ability to continue as a going concern.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

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 report 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

April 26, 2018

**DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 3314.08(H)(2) states, in part, 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.

Policy 251: Attendance / Truancy / Withdrawal of the **Policies of the Governing Authority of Dayton Business Technology High School** states, in part, a student who fails to participate in one hundred five consecutive hours of learning opportunities will be automatically withdrawn, unless the student's absence is excused. Otherwise, a parent may withdraw a student voluntarily by signing a Voluntary Withdrawal form with the Principal or his/her designee.

Ohio Rev. Code § 3314.03(A)(27)(28) states, in part, each contract entered into between a sponsor and the governing authority of a community school shall specify that the school's attendance and participation policies will be available for public inspection and that the school's attendance and participation records shall be made available to the department of education, auditor of state, and the school's sponsor.

Article IV, Section N, Sub-Sections 7 through 9 of the **Successor Community School Sponsorship Contract** states, in part, the School has adopted or shall adopt an attendance policy that includes a procedure for automatically withdrawing a student from the School if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. The School shall ensure that the School's attendance and participation policies are available for public inspection. The School's attendance and participation records shall be made available to the department of education, auditor of state, and sponsor.

Policy 251: Attendance / Truancy / Withdrawal of the **Policies of the Governing Authority of Dayton Business Technology High School** states, in part, students enrolled in the School must attend School regularly in accordance with the laws of the State. The educational program offered by the School is predicated upon the presence and punctuality of the student and requires continuity of instruction and classroom participation. A parent must contact the School in accordance with the procedure set forth in Policy No. 252 whenever a student is absent. Attendance shall be required of all students enrolled at the School during the days and hours that the School is in session. Attendance need not always be within the School facilities, but a student will be considered to be in attendance if present at any place where School is in session by authority of the Board.

The Enrollment (Attendance) / Withdrawal Procedures section of the **Dayton Business Technology High School 2016-2017 Student Handbook** states, in part, student attendance is taken once daily. All students attending the School are required to sign in every day. The student is either present or absent for the entire day or half of the day.

**FINDING NUMBER 2017-001
(Continued)**

Two of the ten (20%) students tested who were withdrawn from the School during the year were not timely withdrawn from the regularly adjusted cohort. The students were withdrawn 39 and 40 days after they stopped participating in learning opportunities. In addition, one of four (25%) students selected for testing due to participation in the School's credit flex program was marked as attending for thirty-three days during the school year; however, there was no evidence that the student was present at School or participating in learning opportunities during those thirty-three days. The student had twenty-four properly approved excused absences immediately prior to the thirty-three day period.

The School should implement procedures to verify that student withdrawals and attendance are tracked and recorded in accordance with the School's policies and the Ohio Revised Code. Failure to accurately report student attendance and withdrawals could lead to inaccurate reporting of full-time equivalency (FTE) to the Ohio Department of Education (ODE), which could lead to improper funding paid to the School and inaccurate financial statement information.

This issue will be referred to ODE.

Officials' Response:

In May 2017, the Sponsor, Dayton Public Schools, established a monthly internal audit/monitoring and reporting to the Dayton Business Technology High School Board on enrollment, withdrawal, and attendance. All issues are identified and corrected as appropriate.

Other accountability measures are being explored for the monitoring of student reporting to ensure any issues are identified prior to incorrectly reporting.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness: Ohio Rev. Code § 3314.08(H)(2) Failure to record student enrollments and withdrawals timely.	Partially Corrected	The Sponsor, Dayton Public Schools, has established a monthly internal audit/monitoring and reporting to the School's Board on enrollment, withdrawal, and attendance. All issues identified during these reviews are identified and corrected as appropriate.
2016-002	Noncompliance and Material Weakness: Ohio Rev. Code § 3314.08(H) Failure to properly record student absences and calculate learning opportunities for students.	Partially Corrected	The Sponsor, Dayton Public Schools, has established a monthly internal audit/monitoring and reporting to the School's Board on enrollment, withdrawal, and attendance. All issues identified during these reviews are identified and corrected as appropriate.
2016-003	Noncompliance and Significant Deficiency: Ohio Rev. Code § 3314.03(A)(29)(d) Failure to specify School attendance documentation requirements and how the School will track student participation in learning opportunities within sponsor contract.	Fully Corrected	

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DAYTON BUSINESS TECHNOLOGY HIGH SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2018**