



Mary Taylor, CPA
Auditor of State

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activity of Dayton Technology Design High School, Montgomery County, (the School), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of Dayton Technology Design High School, Montgomery County, as of June 30, 2008, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 18, 2009

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Dayton Technology Design High School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. 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 total, net assets increased \$134,875, which represents a 484.3 percent increase from fiscal year 2007.
- Total assets increased \$158,844, which represents a 102.0 percent increase from fiscal year 2007.
- Liabilities increased \$23,969, which represents an 18.7 percent increase from fiscal year 2007.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the School did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Table 1 provides a summary of the School's net assets for fiscal year 2008 and fiscal year 2007:

(Table 1)			
Net Assets			
	2008	2007	Change
Assets:			
Current Assets	\$296,361	\$155,782	\$140,579
Depreciable Capital Assets, Net	18,265		18,265
Total Assets	314,626	155,782	158,844
Liabilities:			
Current Liabilities	76,902	77,933	(1,031)
Noncurrent Liabilities	75,000	50,000	25,000
Total Liabilities	151,902	127,933	23,969
Net Assets:			
Invested in Capital Assets	18,265		18,265
Restricted	68,501	12,396	56,105
Unrestricted	75,958	15,453	60,505
Total Net Assets	\$162,724	\$ 27,849	\$134,875

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Total assets increased \$158,844, mainly due to an increase in cash and cash equivalents and intergovernmental receivable. Student foundation as well as grants increased due to the increase in enrollment. Capital assets, net of depreciation increased by \$18,265 due to acquisitions of computers and cameras. Liabilities increased by \$23,969 primarily due to an increase in accrued wages and benefits. Restricted net assets increased due to an increase in grants. Unrestricted net assets increased due to increases in cash and cash equivalents from student foundation.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007.

(Table 2)
Change in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Operating Revenues:			
State Foundation	\$ 991,617	\$710,841	\$280,776
Total Operating Revenues	<u>991,617</u>	<u>710,841</u>	<u>280,776</u>
Non-Operating Revenues:			
Federal and State Grants	167,399	60,676	106,723
Local Grant Revenue		5,500	(5,500)
Total Non-Operating Revenues	<u>167,399</u>	<u>66,176</u>	<u>101,223</u>
Total Revenues	<u>1,159,016</u>	<u>777,017</u>	<u>381,999</u>
Operating Expenses:			
Salaries	559,683	518,853	40,830
Fringe Benefits	152,832	144,191	8,641
Purchased Services	185,769	39,522	146,247
Rent	21,600		21,600
Materials and Supplies	100,161	45,294	54,867
Depreciation	4,096		4,096
Other Expenses		1,308	(1,308)
Total Operating Expenses	<u>1,024,141</u>	<u>749,168</u>	<u>\$274,973</u>
Change in Net Assets	134,875	27,849	
Net Assets at Beginning of Year	<u>27,849</u>		
Net Assets at End of Year	<u>\$ 162,724</u>	<u>\$ 27,849</u>	

There was an increase in revenues of \$381,999 mainly in foundation and federal and state grants, and an increase in expenses of \$274,973 mainly in purchased services, from fiscal year 2007. Revenues increased due to an increase in enrollment. The increase in expenses was due to increases in professional and technical services.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2008 the School had \$18,265, invested in furniture and equipment. This represented an increase of \$18,265 from fiscal year 2007, which was due to the acquisitions of computers and a camera for fiscal year 2008. Table 3 shows total capital assets for fiscal years 2008 and 2007:

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

	2008	2007
Furniture and Equipment	\$18,265	\$0

For more information on capital assets see Note 5 to the basic financial statements.

Debt Administration

At the end of fiscal year 2008, the School had a \$75,000 outstanding loan payable. Refer to Note 11 of the basic financial statements for additional information.

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 Phyllis J. Bixler, Treasurer at Dayton Technology Design High School, 348 West First Street, Dayton, Ohio 45402, or e-mail at ww.treas@mdeca.org.

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

Assets

Current Assets:

Equity in Pooled Cash	\$215,966
Intergovernmental Receivable	80,395
Total Current Assets	<u>296,361</u>

Non-Current Assets:

Capital Assets:	
Depreciable Capital Assets, Net	18,265
Total Assets	<u>314,626</u>

Liabilities

Current Liabilities:

Accounts Payable	8,385
Intergovernmental Payable	18,389
Accrued Wages and Benefits Payable	43,149
Compensated Absences Payable	6,979
Total Current Liabilities	<u>76,902</u>

Non-Current Liabilities:

Loans Payable - NonCurrent	75,000
Total Liabilities	<u>151,902</u>

Net Assets:

Invested in Capital Assets	18,265
Restricted:	
Title I	62,818
Other Purposes	5,683
Unrestricted	75,958
Total Net Assets	<u><u>\$162,724</u></u>

See accompanying notes to the basic financial statements.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Operating Revenues:	
State Foundation	<u>\$991,617</u>
Operating Expenses:	
Salaries	559,683
Fringe Benefits	152,832
Purchased Services	185,769
Rent	21,600
Materials and Supplies	100,161
Depreciation	4,096
Total Operating Expenses	<u>1,024,141</u>
Operating Loss	<u>(32,524)</u>
Non-Operating Revenues:	
Federal and State Grants	<u>167,399</u>
Change in Net Assets	134,875
Net Assets at Beginning of Year	<u>27,849</u>
Net Assets at End of Year	<u><u>\$162,724</u></u>

See accompanying notes to the basic financial statements.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$996,208
Cash Payments for Employees	(697,234)
Cash Payments to Suppliers for Goods and Services	(293,602)
	5,372

Net Cash Provided by Operating Activities	5,372
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Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	100,821
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Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(22,361)
	(22,361)

Net Increase in Cash and Cash Equivalents	83,832
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Cash and Cash Equivalents at Beginning of Year	132,134
	132,134

Cash and Cash Equivalents at End of Year	\$215,966
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Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities:

Operating Loss	(\$32,524)
	(\$32,524)

Adjustments to Reconcile Operating

Loss to Net Cash Provided by Operating Activities:

Depreciation	4,096
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	5,240
Decrease in Intergovernmental Receivable	4,591
Increase in Accounts Payable	8,385
Increase in Accrued Wages and Benefits Payable	10,532
Increase in Intergovernmental Payable	5,034
Increase in Compensated Absences Payable	18
	37,896

Total Adjustments	37,896
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Net Cash Provided by Operating Activities	\$5,372
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Non-cash:

The School had outstanding intergovernmental receivables related to non-operating grants of \$70,530 at June 30, 2008.

See accompanying notes to the basic financial statements.

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**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Dayton Technology Design 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, 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, Dayton Public Schools, for a period of five years commencing July 1, 2006. Under the terms of its contract with the Sponsor, the School has access to facilities, staff, equipment, instructional materials, curriculum, and 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 Dayton Public Schools. The Sponsor Contract also permits additional Board positions to be filled by parents or community civic leaders. The School is staffed by ten certificated and two non-certificated employees who provide services to an enrollment of 119 students.

The School participates in one jointly governed organization. This organization is Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Notes 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

E. Expenses

Expenses are recognized at the time they are incurred.

F. Equity in Pooled Cash

The School maintains a non-interest bearing depository account. All funds of the School are maintained in this account. This account is presented on the statement of net assets as "Equity in Pooled Cash". The School had no investments during fiscal year 2008.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. 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.

All reported capital assets 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>
Furniture and Equipment	5-30 years

H. Accrued Liabilities and Long-term Obligations

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

I. Compensated Absences

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

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).

J. Intergovernmental Revenues

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

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review concluded that the School had been underpaid by \$9,865.

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.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for required food service operations and federal and State grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports \$68,501 of restricted net assets, none of which are restricted by enabling legislation.

L. Operating Revenues and Expenses

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

M. 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.

N. 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.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$119,253 of the School's bank balance of \$219,253 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution.

The School has no policy for custodial credit risk for deposits.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental (State Foundation and Federal and State grants) receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Student Foundation	\$9,865
Food Service	5,817
Title I	59,165
Idea B	3,312
Title II-A	1,482
Title II-D	754
Total Intergovernmental Receivable	\$80,395

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008 was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Being Depreciated:				
Furniture and Equipment		\$22,361		\$22,361
Less Accumulated Depreciation:				
Furniture and Equipment		(4,096)		(4,096)
Total Capital Assets Being Depreciated, Net	\$0	\$18,265	\$0	\$18,265

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School contracted with Lexington Insurance Company for business general liability, abuse and molestation, and property coverage. General Liability (including personal and advertising injury) coverage is \$1 million each occurrence with a \$2 million policy aggregate. Damage to rented premises coverage is \$100,000. Abuse and molestation coverage is \$1 million per occurrence and \$2 million general liability policy aggregate. Business property coverage is \$100,000 with an 80 percent co-insurance with hired and non-owned auto liability with a single and combined limit of liability at \$1 million.

School leaders' errors and omissions coverage is contracted with National Union Fire Insurance Company and has an aggregate limit of liability at \$1 million. Judgments, settlements and defense costs related to employment practices claims and non-employment discriminations claims are covered at \$50,000 per loss. Judgments, settlements and defense costs related to claims other than employment practices claims and non-employment discrimination claims are covered at \$10,000 per loss.

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

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007 were \$3,707 and \$7,411, respectively; 96.3 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008 and 2007 were \$69,404 and \$58,242, respectively; 92.2 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,786 made by the School and none made by the plan members.

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were \$1,692 and \$2,656, respectively; 96.3 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008 and 2007 were \$267 and \$504 respectively; 96.3 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were \$5,339 and \$4,480 respectively; 92.2 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

9. OPERATING LEASES

The School leases a building from Central State University, under a non-cancelable operating lease. The term of this lease commences August 1, 2007 and runs through July 31, 2008. The lease payment includes use of the buildings, maintenance, custodial and grounds services. The Lease payment was \$21,600 for the fiscal year ended June 30, 2008.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements of Dayton Public School, the sponsor, and State Laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees each month and must be used within the next twelve months. Vacation may be carried forward beyond June 30 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 275 days for classified employees and 250 days for certified employees. 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 the 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	45 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 out at one-fourth of the accumulated balance, up to a maximum payout of 45 days, upon retirement.

B. Health Insurance

As part of the Sponsor Contract, School employees are covered by the Sponsor's insurance benefit coverage and premiums for the benefits are paid by the School to the Sponsor each pay period.

11. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2008 were as follows:

<u>Long-Term Obligation</u>	<u>Amount Outstanding 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/08</u>	<u>Due In One Year</u>
Loans Payable	<u>\$75,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$75,000</u>	<u>\$0</u>

On July 10, 2006 the School's Sponsor, Dayton Public Schools, provided the School with a loan of \$100,000 to fund operations during the start-up phase of the School. There is no provision for interest on this loan. The loan agreement requires the loan to be repaid in four annual installments of \$25,000 ending in fiscal year 2010. During the fiscal year, the Sponsor agreed to a deferment of the second installment payment on the loan until fiscal year 2010.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which 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.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to insure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an adjustment of \$9,865 to foundation revenue and the receivable in fiscal year 2008 financial statements.

13. PURCHASED SERVICES

For the period, ended June 30, 2008, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$137,485
Property Services	8,525
Pupil Transportation	8,107
Utilities	20,795
Communications	310
Other	10,547
Total Expenses	<u>\$185,769</u>

14. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2008, the benefits related to the School's employees are processed and initially paid by Dayton Public Schools. The School subsequently reimburses Dayton Public Schools for these expenditures after each pay-period. During fiscal year 2008, the School reported expenses related to employee insurance of \$71,466.

15. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$1,521 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. SUBSEQUENT EVENTS

On July 22, 2008, Dayton City School District approved to loan the School \$350,000 for renovation of the property located at 348 West First Street. The loan is to be repaid at the rate of \$70,000 annually beginning with the 2009-2010 school year.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements the business-type activity of Dayton Technology Design High School, Montgomery County, (the School) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated March 18, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matter that we reported to the School's management in a separate letter dated March 18, 2009.

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.

We intend this report solely for the information and use of management, the Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 18, 2009

DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Significant Deficiency

Board Meetings

There were certain deficiencies noted with the School's Board meetings and minutes. For completeness and accuracy of the Board record of proceedings, the School should address the following problems/conditions regarding the minutes that were presented:

- The minutes contained mostly discussions that were sometimes lacking descriptiveness. There were rarely approvals of motions or resolutions. This could result in an inability to understand the true intentions and discussions of the Board.
- The meeting minutes did not always indicate the Board's review and approval of financial reports and bank reconciliations for any month or other time period. This could result in the Board making decisions without having sufficient knowledge about the School's financial situation.
- The meeting minutes did not always indicate the Board's subsequent approval of all Board minutes. This could result in inaccurate record of proceedings of the Board.

The Board record of proceedings should provide accurate and descriptive information regarding each Board meeting. Any decisions of the Board should be noted by the approval of a resolution or motion. Financial reports and bank reconciliations should be presented to the Board on a monthly basis and the minutes of the Board should disclose what reports have been reviewed and that the Board has approved the reports. In addition, draft versions of the prior meeting minutes should be presented to the Board for their review and approval. Any necessary changes to meeting minutes should be made and approved by the Board. Implementing these procedures would assist in providing complete and accurate Board meeting minutes.

Official Response: *Minutes have improved but we are aware of the importance of accuracy. During the past few months minutes have been reviewed by both the Board Secretary as well as the Treasurer before they are submitted to the Board for approval. This should result in improved accuracy.*

**DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Deficiencies in documenting Governing Board minutes and items that the Governing Board reviews and approves	No	Repeated as Finding 2008-001.
2007-002	Community School Sponsorship Contract - Lack of approvals and monitoring of budget, establishment of policies and procedures for operation and management, review records of the school, holding of an annual meeting.	Yes	



Mary Taylor, CPA
Auditor of State

DAYTON TECHNOLOGY DESIGN HIGH SCHOOL
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009