



Dave Yost • Auditor of State

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Statement of Net Assets - June 30, 2010	7
Statement of Revenues, Expenses, and Change in Net Assets For the Fiscal Year Ended June 30, 2010	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2010	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	25

This page is intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dayton Regional STEM School
Greene County
3775 Pentagon Park Boulevard
Beavercreek, Ohio 45431

To the Governing Board:

We have audited the accompanying basic financial statements of the Dayton Regional STEM School, Greene County (the School), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 financial position of the Dayton Regional STEM School, as of June 30, 2010, and the changes in its 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 4, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Dave Yost
Auditor of State

March 4, 2011

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Dayton Regional STEM School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

- The School was created during fiscal year 2010.
- Wright State University made payments on behalf of the School of \$1,675,320 to various vendors.
- Net assets totaled \$590,571.
- Total assets were \$603,627.
- Liabilities totaled \$13,056.

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 2010. 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 2010. As this was the first fiscal year the School had any financial activity, there are no comparison amounts available for fiscal year 2009 for presentation. In future fiscal years, amounts of the current fiscal year will be compared with similar amounts from the prior fiscal year.

**(Table 1)
Net Assets**

Assets:	
Current Assets	\$545,500
Capital Assets, Net	<u>58,127</u>
Total Assets	<u>603,627</u>
Liabilities:	
Current Liabilities	<u>13,056</u>
Net Assets:	
Invested in Capital Assets	58,127
Unrestricted	<u>532,444</u>
Total Net Assets	<u><u>\$590,571</u></u>

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Total assets were \$603,627. Equity in pooled cash amounted to \$528,966 and intergovernmental receivables amounted to \$16,534. Capital assets amounted to \$58,127. Liabilities of \$13,056 consisted of accounts payable.

Table 2 shows the changes in net assets for fiscal year 2010. As this was the first fiscal year the School had any financial activity, there are no comparison amounts available for fiscal year 2009 for presentation. In future fiscal years, amounts of the current fiscal year will be compared with similar amounts from the prior fiscal year.

**(Table 2)
Change in Net Assets**

	2010
Operating Revenues:	
Sales	\$ 221
State Foundation	534,421
Tuition and Fees	12,868
Donations	101,562
Miscellaneous	2,578
Total Operating Revenues	651,650
Non-Operating Revenues:	
Federal and State Grants	62,641
Other Grants	1,690,478
Interest	1,664
Total Non-Operating Revenues	1,754,783
Capital Contributions	65,487
Total Revenues	2,471,920
Operating Expenses:	
Purchased Services	1,546,344
Rent	205,580
Materials and Supplies	120,515
Depreciation	8,910
Total Expenses	1,881,349
Change in Net Assets	590,571
Net Assets at Beginning of Year	
Net Assets at End of Year	\$ 590,571

The School's business-type activities consist of enterprise activity. STEM schools receive no support from taxes.

Other grants consisted mostly of amounts paid by Wright State University on behalf of the School of \$1,675,320 to various vendors. Therefore, the School was not required to use the State foundation amounts received during the fiscal year.

Wright State University donated \$65,487 in capital assets to the School during fiscal year 2011.

Capital Assets

At the end of fiscal year 2010, the School had \$58,127 invested in furniture, fixtures and equipment. The majority of assets consisted of electronic equipment for the classrooms. For more information on capital assets see Note 8 to the basic financial statements.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

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 Doug Bixler, Treasurer at Dayton Regional STEM School, 3775 Pentagon Park Boulevard, Dayton, Ohio 45431, or e-mail at dt_treas@mdeca.org.

This page is intentionally left blank.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets:

Current Assets:

Equity in Pooled Cash	\$528,966
Intergovernmental Receivables	<u>16,534</u>
Total Current Assets	<u>545,500</u>

Non-Current Assets:

Capital Assets, Net	<u>58,127</u>
Total Assets	<u>603,627</u>

Liabilities:

Accounts Payable	<u>13,056</u>
------------------	---------------

Net Assets:

Invested in Capital Assets	58,127
Unrestricted	<u>532,444</u>
Total Net Assets	<u><u>\$590,571</u></u>

See accompanying notes to the basic financial statements.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Enterprise
Operating Revenues:	
Sales	\$221
State Foundation	534,421
Tuition and Fees	12,868
Donations	101,562
Miscellaneous	2,578
Total Operating Revenues	651,650
Operating Expenses:	
Purchased Services	1,546,344
Rent	205,580
Materials and Supplies	120,515
Depreciation	8,910
Total Operating Expenses	1,881,349
Operating Loss	(1,229,699)
Non-Operating Revenues:	
Federal and State Grants	62,641
Other Grants	1,690,478
Interest	1,664
Total Non-Operating Revenues	1,754,783
Income Before Contributions	525,084
Capital Contributions	65,487
Change in Net Assets	590,571
Net Assets at Beginning of Year	
Net Assets at End of Year	\$590,571

See accompanying notes to the basic financial statements.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Sales	\$221
Cash Received from State of Ohio	534,421
Cash Received from Gifts and Donations	101,562
Cash Received from Students	12,868
Cash Received from Miscellaneous Sources	2,578
Cash Payments to Suppliers for Goods and Services	<u>(1,859,383)</u>

Net Cash Used for Operating Activities (1,207,733)

Cash Flows from Non-capital Financing Activities:

Federal and State Grants Received	46,107
Other Grants Received	<u>1,690,478</u>

Net Cash Provided by Non-capital Financing Activities 1,736,585

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(1,550)
-------------------------------	---------

Cash Flows from Investing Activities:

Interest	<u>1,664</u>
----------	--------------

Net Increase in Cash and Cash Equivalents 528,966

Equity in Pooled Cash at Beginning of Year

Equity in Pooled Cash at End of Year \$528,966

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	<u>(\$1,229,699)</u>
----------------	----------------------

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	8,910
Increase in Accounts Payable	<u>13,056</u>

Net Cash Used for Operating Activities (\$1,207,733)

Non-Cash Transactions:

The School had outstanding intergovernmental receivables related to non-operating grants of \$16,534 at June 30, 2010.

During fiscal year 2010, the School received \$65,487 in donated capital assets.

See accompanying notes to the basic financial statements.

This page is intentionally left blank.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Dayton Regional STEM (STEM) School (the "School") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3326 to maintain and provide a school exclusively for any science, technology, engineering, math, and related teaching services. The School currently serves grades eight through 10 and will grow-out in the following two fiscal years ultimately serving grades six through 12. The School, which is part of the state's education program, is independent of any school district and serves the areas of Clark, Greene, and Montgomery Counties. The School is capable of suing and being sued, contracting and being contracted with, acquiring, holding, possessing, and disposing of real and personal property, taking and holding in trust for the use and benefit of the School, any grant or devise of land and any donation or bequest of money or other personal property.

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

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

The School operates under an 11 member, self-appointed, Governing Board that consists of representatives of the regional organizations that were partnered to establish the School and shall not exceed 15 members. The Governing Board is responsible for adopting policies and procedures that govern the School and supervising the School principal.

The School participates in two jointly governed organizations: Metropolitan Dayton Educational Cooperative Association and Southwestern Ohio Educational Purchasing Council. See Note 12 for information on these organizations.

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.

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.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Within this 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 (e.g., revenues) and decreases (e.g., expenses) in net 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. Basis of accounting relates to the timing of the measurements made. The School's financial statements are prepared using the accrual basis of accounting.

D. Equity in Pooled Cash

The School's Treasurer accounts for all monies received by the School. The School maintains two interest bearing depository accounts and all funds of the School are maintained in these accounts. These accounts are presented on the Statement of Net Assets as "Equity in Pooled Cash". The School did not have any investments during fiscal year 2010.

E. 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.

F. Expenses

Expenses are recognized at the time they are incurred.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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. The School had no restricted net assets as of June 30, 2010.

H. 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 and payments made on behalf of the School by Wright State University. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenues

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

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

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

J. 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.

K. Budgetary Process

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705.

L. 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 \$500 for all capital 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.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Lives</u>
Furniture, Fixtures and Equipment	5 - 30 years

3. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental receivable for food service. All receivables are considered collectible in full and will be received within one year.

4. DEPOSITS AND INVESTMENTS

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 one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Dayton Regional STEM School will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$287,546 of the School District's bank balance of \$537,546 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District has no policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured. The School maintains two depository accounts with Wright-Patt Credit Union, Inc., which is not an eligible depository institution per Ohio Revised Code 135.03.

5. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. During fiscal year 2010, the School participated in the Southwestern Ohio Educational Purchasing Council for liability, fleet, and property insurance.

Settled claims have not exceeded this commercial coverage since the School's inception. The School was started in fiscal year 2010. Therefore, fiscal year 2010 is the first year of the School's coverage.

6. RELATED PARTY TRANSACTIONS

The School contracts with Wright State University to utilize certain personnel and other resources. During fiscal year 2010, the Wright State University paid \$1,675,320 from grants received from various sources on behalf of the School for personnel (all teaching and administrative personnel are employees of Wright State University); pension and retirement benefits; furniture, equipment, maintenance expenses, supplies, and building lease payments. Wright State University also donated \$65,487 in capital assets to the School during fiscal year 2010.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. LEASES

The School leases a building from Mills-Morgan Development, LTD. The term of the lease commenced on July 1, 2009 for a two year period. The School has an option to renew the lease for one year. The School agreed to pay Mills-Morgan Development, LTD no base rent for the building during the initial lease period. During the renewal term, the School agreed to pay Mills-Morgan Development, LTD an annual base rent of monthly of installments of \$36,113. The School paid Mills-Morgan Development, LTD an improvement allowance overage of \$174,479. If the lease is renewed, the School will pay an additional \$87,240 for an improvement overage allowance. The School shall also pay an additional rent as it accrues during the term of the lease for additional expenses as spelled out in the lease agreement. Rent paid for the building for the fiscal year ended June 30, 2010 was \$205,580.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/10</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$0	\$67,037	\$0	\$67,037
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment		(8,910)		(8,910)
Capital Assets, Net	<u>\$0</u>	<u>\$58,127</u>	<u>\$0</u>	<u>\$58,127</u>

Additions to capital assets include \$65,487 in assets donated by Wright State University.

9. 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 ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. PURCHASED SERVICES

For the fiscal year ended June 30 2010, purchased services expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$78,350
Travel	484
Property Services	9,537
Communication	25,500
Wright State University	<u>1,432,473</u>
Total	<u>\$1,546,344</u>

11. AGREEMENT WITH WRIGHT STATE UNIVERSITY

On August 3, 2009, the School contracted with Wright State University (WSU) to utilize certain WSU personnel and other resources as agreed upon, to provide services and facilitate operation of the School. The term of the contract began on August 3, 2009 and will continue to remain in full force and effect upon the same terms and conditions for successive periods of one year.

A. WSU Personnel

WSU will hire personnel mutually agreeable to the School to carry out the School's activities. The specific terms of their compensation, the definition of their duties and the allocation of their time and responsibilities between the work of the School and other duties to WSU shall be determined (and may be changed) jointly by the School and WSU. WSU shall be reimbursed for the use of WSU Personnel.

B. Responsibility for and Compensation of Personnel

WSU is responsible for all payroll and employment taxes, and other customary employer duties and responsibilities for the personnel during the term of the agreement. WSU provides appropriate workers' compensation coverage for employees throughout the term of the agreement and further provided all employee benefits for the employees customarily provided to others in like positions at WSU.

C. Personnel Employed by WSU

The Personnel designated to provide services under the agreement shall remain employees of WSU and shall be subject to any employment agreements between the employees and WSU. WSU shall not be required to hire or retain personnel utilized by the School unless funding for such is approved and available to the School.

D. WSU Resources

The School may utilize certain resources of WSU for use in its activities upon mutual agreement with WSU. The School shall reimburse WSU, as mutually agreed upon, for any costs directly incurred as a result of the School's use of such resources. WSU may choose to offer the School fiscal support and in-kind contributions of support as its discretion.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)

E. School Property

Files, reports, articles, electronic records and other such materials created or developed by WSU employees while performing services for the School are and will remain the School's property.

F. Insurance

Insurance customarily carried by those in the operation of an educational institution shall be maintained by each party. To the extent permitted by law and provided that the parties receive reciprocal treatment, each party shall name the other as an additional insured. The parties agree to notify each other in writing within 10 days of loss coverage or material change in such policies.

G. Reimbursement for Personnel and Resources

The School will reimburse WSU for all costs specifically applicable to the School's use of personnel and resources provided by WSU under the agreement, unless WSU at its discretion chooses not to seek reimbursement. Such costs are to include those incurred for salaries, taxes, insurance, employee benefits, amounts reimbursed for any out-of-pocket expenses (including but not limited to travel authorized by the School) incurred by personnel that are specifically allocable to the activities of the School, and any others directly associated with the use of personnel and resources of WSU by the School in its operations. WSU shall not be required to hire or retain personnel utilized by the School unless funding for such is approved and available to the School.

H. Records and Invoicing

Both the School and WSU shall keep records quantifying the use of WSU personnel and resources subject to reimbursement under the agreement. On the first of each month, WSU shall invoice the School for the personnel and resources provided in the previous month under the agreement which is to include at detailed accounting of the costs to be reimbursed. The School shall have five business days to challenge, in writing, the costs allocated to it under the amount billed. Any dispute as to the amount due shall be settled by the parties. The parties shall review their records and invoices/payments on a periodic basis (but no less often than annually) and shall make such adjustments as the parties deem necessary by mutual agreement to reflect the actual use of WSU personnel and other resource by the School.

I. Payment of Invoice

Payment of invoices by the School shall be made by the fifteenth day of the month in which the invoice is received. Notwithstanding the forgoing, in the event WSU has funds in a restricted account that is allocated for use by the School, such funds are to be used to offset any amounts owed by the School to WSU for use of personnel and resources before the School may be required to make payment out of its operating funds. Restricted funds may not be used to offset amounts owed by the School until after the five day period for the School to challenge the invoice has lapsed for the month in which the invoice was sent reflecting such expense and the use of such funds by WSU for the payment of expenses shall be reflected in the monthly invoice sent to the School in the subsequent month.

**DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. AGREEMENT WITH WRIGHT STATE UNIVERSITY (Continued)

J. Termination

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

12. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association:

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid \$3,915 to MDECA for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council:

The School participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2010, the School paid \$333 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377

13. COMPLIANCE

Ohio Revised Code Section 3313.24 requires the Treasurer to be paid out of unrestricted funds of the School. The School made payments, in the amount of \$27,500, to the School Treasurer from the State Fiscal Stabilization Fund (SFSF) which is a restricted grant.

14. SUBSEQUENT EVENT

The School is currently in the process of obtaining financing for the purchase and renovation of a new building.

This page is intentionally left blank.



Dave Yost • Auditor of State

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

Dayton Regional STEM School
Greene County
3775 Pentagon Park Boulevard
Beavercreek, Ohio 45431

To the Governing Board:

We have audited the financial statements of the Dayton Regional STEM School, Greene County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 4, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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 more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 4, 2011.

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

We intend this report solely for the information and use of management, the Governing Board, and others within the School. We intend it for no one other than these specified parties.

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

March 4, 2011

DAYTON REGIONAL STEM SCHOOL
GREENE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

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

<i>Finding Number</i>	2010-001
-----------------------	----------

NONCOMPLIANCE

Ohio Rev. Code Section 135.03 provides that any national bank, any bank, federal savings association, any savings and loan association or savings bank doing business under authority granted by the superintendent of financial institutions, or doing business under authority granted by the regulatory authority of another state of the United States, located in this state, is eligible to become a public depository, subject to sections 135.01 to 135.21 of the Revised Code.

Eligible financial institutions under the above mentioned section include national banks or Ohio savings banks, but do not include credit unions. During fiscal year 2010 the School held all of its deposits at Wright-Patt Credit Union.

Additionally, **Ohio Rev. Code Section 135.18(A)** states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

Finally, **Ohio Rev. Code Section 135.181 (B)** states that in lieu of the pledging requirements prescribed in sections 135.18 and 135.37 of the Revised Code, an institution designated as a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five per cent of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. Each institution shall carry in its accounting records at all times a general ledger or other appropriate account of the total amount of all public deposits to be secured by the pool, as determined at the opening of business each day, and the total market value of securities pledged to secure such deposits.

There was no indication that the credit union had specific securities or pooled securities pledged to cover the uninsured deposits of the School

The School should revisit its depositories to verify that they are in compliance with the Ohio law. This would allow the School to obtain depositories that are either federally insured or covered by pooled collateral, thus reducing the risk of the School losing money in event of a bank failure.

Official's Response: The Governing Board has instructed the Treasurer to prepare a list of at least 3 banking institutions who will meet this requirement for the April, 2011 board meeting. The School will be selecting one of them and moving funds to an FDIC insured institution.

<i>Finding Number</i>	2010-002
-----------------------	----------

NONCOMPLIANCE

Ohio Rev. Code 3326.21(A) states that each science, technology, engineering, and mathematics school shall have a treasurer who is licensed under section 3301.074 of the Revised Code. The governing body of the school and the treasurer shall comply with sections 3301.072, 3313.22 to 3313.32, 3313.51, and 3315.08 of the Revised Code in the same manner as a school district board of education and a district treasurer.

Ohio Revised Code Section 3313.24 (A) in part states that at the time of the appointment or designation of the term of office of the treasurer, subject to division (B) of this section, the board of education of each local, exempted village, or city school district shall fix the compensation of its treasurer, which shall be paid from the general fund of the district.

During fiscal year 2010 the Treasurer was paid \$27,500 out of the State Fiscal Stabilization Funds (SFSF), Education Grants to States, Recovery Act grant instead of general receipts. Had the School been subject to a Single Audit as prescribed by O.M.B. Circular A-133, the payment to the Treasurer would have resulted in a federal questioned cost.

Policies and procedures should be established to verify that Treasurer services are compensated out of the general receipts. Failure to do so could result in loss of grant revenue and/or future questioned cost.

Official's Response: The School's understanding was that the SFSF dollars could be spent on any general fund expenditure not including building maintenance or building renovation. The School looked at the monthly expenditures and the Treasurer's "purchased service" amount seemed appropriate. By posting these expenditures to SFSF we could easily track and balance this fund on a monthly basis and check it easily. The Auditor's told us this was not proper. All FY11 postings have been corrected.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Dayton Regional STEM School
Greene County
3775 Pentagon Boulevard
Beavercreek, Ohio 45341

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Dayton Regional STEM School (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 6, 2010
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

March 4, 2011



Dave Yost • Auditor of State

DAYTON REGIONAL STEM SCHOOL

GREENE 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 12, 2011**