



Dave Yost • Auditor of State

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City Day Community School
Montgomery County
320 South Main Street
Dayton, Ohio 45402

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of City Day Community School, Montgomery County, (the School), as of and for the year ended June 30, 2010, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of City Day Community School, Montgomery County, as of June 30, 2010 and the changes in financial position and 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 April 11, 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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

April 11, 2011

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

The discussion and analysis of City Day Community School's (the School) financial performance provides an overall review of the 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- Total net assets increased \$140,833 in fiscal year 2010, which represents a 121.22% increase from the prior year.
- Total assets increased \$5,672, which represents a 3.70% increase from the prior year.
- The operating loss reported for fiscal year 2010 (\$411,154) was \$66,001 less than the operating loss reported for fiscal year 2009 (\$477,155) or a 13.83% decrease.

Using this Financial Report

This financial report contains the School's basic financial statements, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and change in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity. Therefore, the entity-wide and the fund presentation information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting most private-sector companies use. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets; however, in evaluating the School's overall position and financial viability, non-financial information such as the condition of the School building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Table 1 provides a summary of the School's net assets for fiscal year 2010 compared with fiscal year 2009.

Table 1 Net Assets		
	2010	2009
Assets:		
Current and Other Assets	\$124,658	\$129,730
Capital Assets, Net	34,348	23,604
Total Assets	159,006	153,334
Liabilities:		
Current Liabilities	134,351	263,912
Non-Current Liabilities		5,600
Total Liabilities	134,351	269,512
Net Assets:		
Investment in Capital Assets	34,348	15,604
Unrestricted	(9,693)	(131,782)
Total Net Assets/Accumulated (Deficit)	\$ 24,655	(\$116,178)

The School's total net assets/accumulated (deficit) decreased by \$140,833 from those reported at June 30, 2009, due to a decrease in current liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, as well as revenue and expense comparisons to fiscal year 2009.

Table 2 Changes in Net Assets		
	2010	2009
Operating Revenues:		
Foundation Payments	\$993,346	\$1,157,194
Non Operating Revenues:		
State and Federal Grants	537,983	327,589
Miscellaneous Revenues	13,989	50,731
Interest Earnings	15	42
Total Revenues	1,545,333	1,535,556
Operating Expenses:		
Salaries	739,966	821,484
Fringe Benefits	174,816	221,929
Building Rental	97,660	99,600
Other Purchased Services	366,886	405,584
Materials and Supplies	1,144	45,582
Depreciation	17,570	9,939
Other Expenses	6,458	30,231
Total Expenses	1,404,500	1,634,349
Change in Net Assets	140,833	(98,793)
Net Assets at Beginning of Year	(116,178)	(17,385)
Net Assets at End of Year	\$ 24,655	(\$ 116,178)

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Operating revenue decreased \$163,848 during fiscal year 2010. The decrease was the result of a decrease in enrollment between years.

Total expenses reported for fiscal year 2010 decreased by \$229,849 compared to those reported for the previous fiscal year. The decreases in expenses were due in part to decrease in salaries and fringe benefits.

Capital Assets

At June 30, 2010, the School's capital assets were \$244,945, which were offset by \$210,597 in accumulated depreciation, resulting in net capital assets of \$34,348. Table 3 shows the categories of capital assets the School maintains, net of accumulated depreciation, at June 30, 2010 and 2009.

**Table 3
Capital Assets, Net of Depreciation**

	<u>2010</u>	<u>2009</u>
Furniture & Equipment	\$212,983	\$194,156
Food Service Equipment	17,712	8,225
Vehicles	2,250	2,250
Copier	12,000	12,000
Total Capital Assets	244,945	216,631
Less: Accum. Depreciation	<u>(210,597)</u>	<u>(193,027)</u>
Total Net Capital Assets	<u>\$ 34,348</u>	<u>\$ 23,604</u>

The net increase of \$10,744 in total net capital assets was due to current year depreciation expense being exceeded by current year capital expenditures.

See Note 2(F) & Note 5 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Contacting the School

This financial report is designed to provide a general overview of the City Day Community School's finances and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to City Day Community School, 320 South Main Street, Dayton, Ohio 45402.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Assets:

Current Assets:

Cash	\$70,904
Receivables	
Intergovernmental	53,754
Total Current Assets	<u>124,658</u>

Non-Current Assets:

Capital Assets, Net of Accumulated Depreciation	34,348
Total Assets	<u>159,006</u>

Liabilities:

Current Liabilities:

Accounts Payable	33,195
Accrued Wages Payable	95,327
Intergovernmental Payable	5,829
Total Current Liabilities	<u>134,351</u>

Total Liabilities	<u>134,351</u>
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Net Assets:

Invested in Capital Assets (Net of Related Debt)	34,348
Unrestricted	(9,693)
Total Net Assets	<u><u>\$24,655</u></u>

See accompanying notes to the basic financial statements.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Operating Revenues:

State Foundation Payments	\$993,346
Total Operating Revenues	<u>993,346</u>

Operating Expenses

Salaries	739,966
Fringe Benefits	174,816
Building Rental	97,660
Other Purchased Services	366,886
Materials and Supplies	1,144
Depreciation	17,570
Other	6,458
Total Operating Expenses	<u>1,404,500</u>

Operating Loss	(411,154)
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Non-Operating Revenues:

Federal Grants	528,426
State Grants	9,557
Miscellaneous Revenue	13,989
Interest Earnings	15
Total Non-Operating Revenues	<u>551,987</u>

Change in Net Assets	140,833
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Net Assets, Beginning of Year	<u>(116,178)</u>
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Net Assets, End of Year	<u><u>\$24,655</u></u>
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See accompanying notes to the basic financial statements.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Increase (Decrease) in Cash

Cash Flows from Operating Activities

Cash Received from State Foundation	\$987,606
Cash Payments to Suppliers for Goods and Services	(579,588)
Cash Payments to Employees for Services and Benefits	(934,503)
Net Cash Used in Operating Activities	<u>(526,485)</u>

Cash Flows from Noncapital Financing Activities

Cash Received from Grants - Federal and State Grants	509,684
Cash Received from Local Contributions	83,052
Net Cash Provided by Noncapital Financing Activities	<u>592,736</u>

Cash Flows from Capital and Related Financing Activities

Equipment Purchases	(28,314)
Payments on Capital Lease	(8,000)
Net Cash Used in Capital Financing Activities	<u>(36,314)</u>

Cash Flows From Investing Activities

Cash Received From Interest Earnings	15
Net Cash Provided by Investing Activities	<u>15</u>

Net Increase in Cash	29,952
Cash, Beginning of Year	<u>40,952</u>
Cash, End of Year	<u>70,904</u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	(411,154)
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Adjustments to Reconcile Operating Loss to Net cash Used in Operating Activities

Depreciation	17,570
Change in Assets and Liabilities	
Decrease (Increase) in Intergovernmental Receivable Related to State Foundation Program	(5,740)
Increase (Decrease) in Accounts Payable	(95,049)
Increase (Decrease) in Accrued Wages	(45)
Increase (Decrease) in Intergovernmental Payables	(32,067)
Total Adjustments	<u>(115,331)</u>
Net Cash Used in Operating Activities	<u><u>(\$526,485)</u></u>

See accompanying notes to the basic financial statements.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE ENTITY

City Day Community School, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically, the School's purpose is to be a model charter school serving children from kindergarten through grade eight. 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 School's operation. 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's creation was initially proposed to the Ohio Department of Education, the sponsor, by the developers of the School during May 1998. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of School operations on August 27, 1998. The School operates under a five-member Board of Governors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility staffed by three non-certified personnel and seventeen certificated teaching personnel who provide services to approximately one hundred forty-four (144) students.

On April 26, 2005, the School entered into a two-year (fiscal years 2006 and 2007) sponsorship contract with The Educational Resource Consultants of Ohio. On February 26, 2007, the School signed an agreement with this same sponsor effective until June 30, 2010.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Note 12 to the basic financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the School's accounting policies are described below:

A. Basis of Presentation – Enterprise Accounting

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in net assets, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Net assets are segregated into investments in capital assets and unrestricted components.

Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Community schools must adopt a spending plan under Ohio Revised Code, Section 5705.391 that requires annual appropriations and annual revenues estimates. The contract between the School and its sponsor, The Educational Resource Consultants of Ohio, requires the school to comply with a financial plan that details an estimated budget for each year of the contract.

D. Cash

All monies the School receives are maintained in a demand deposit account. For internal accounting control purposes, the School segregates its cash. Individual fund integrity is maintained through School records and the USAS accounting system. Total cash for all funds is presented as "cash" on the accompanying statement of net assets.

E. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of one thousand dollars. The School did not capitalize any interest during the fiscal year. 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. Depreciation of furniture and equipment and vehicles is computed using the straight-line method over the estimated useful life of three to seven years.

Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. The school does not have any infrastructure.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

H. Compensated Absences

The School does not record a liability for compensated absences because although no formal policy is in place. Historically, the School has not paid out accumulated leave balances upon termination of employment.

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2010 are reported as accrued liabilities in the accompanying financial statements. Accounts payable totaled \$33,195 at June 30, 2010.

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution located in Dayton, Ohio. The balances are unlimited. At June 30, 2010, the School had a book cash balance of \$70,904. The bank balance of the School's deposits was \$39,608, which resulted in all cash balances being fully insured, by the Federal Deposit Insurance Corporation (FDIC).

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the school or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least one hundred five percent of deposits being secured.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

4. RECEIVABLES

Receivables at June 30, 2010 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
Title I	\$18,667
Title I – ARRA	5,790
Title I – School Improvement	8,221
Title II – Teacher Improvement	10,704
Title VI – IDEA	756
Title VI – IDEA ARRA	3,876
ODE Community School Adjustment	5,740
Total	\$53,754

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2010 follows:

	Balance 07/01/2009	Additions	Deletions	Balance 06/30/2010
Capital Assets:				
Furniture & Equipment	\$194,156	\$18,827		\$212,983
Food Service Equipment	8,225	9,487		17,712
Vehicles	2,250			2,250
Capitalized Lease	12,000			12,000
Total Capital Assets	216,631	28,314		244,945
Less: Accumulated Depreciation	(193,027)	(17,570)		(210,597)
Capital Assets, Net	\$23,604	\$10,744		\$34,348

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. The School maintains insurance coverage thru Erie Insurance Company for rental/theft; general liability and directors' and officers' liability in amounts that the Board feels is adequate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior fiscal year.

B. Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2010. The premium is calculated by multiplying the gross total payroll by a factor that the State calculates.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

6. RISK MANAGEMENT (Continued)

C. Employee, Medical, Dental, and Vision Benefits

The School has contracted with a private carrier to provide employee health insurance benefits. The School pays 70% of the monthly premium and the employee is responsible for the remaining 30%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

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 rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit 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, 2010, 2009, and 2008 were \$20,464, \$17,926, and \$18,106, respectively; which equaled the required contributions for each year.

B. State Teachers Retirement System

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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 of 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, 2010, 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. 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, 2010, 2009, and 2008 were \$81,900, \$78,438, and \$74,228, respectively; which equaled the required contributions for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010 all members of the Governing Board have elected Social Security. The Governing Board's liability is 6.2% wages.

8. POST-EMPLOYMENT BENEFITS

A. School Employee 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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 2010, 0.46 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 2010, 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, 2010, 2009, and 2008 were \$737, \$10,162 and \$8,262, respectively; which equaled the required contribution for each fiscal year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,217, \$1,344 and \$1,305, respectively; which equaled the required contribution for each fiscal year.

B. State Teachers Retirement System

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 2010, 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, 2010, 2009, and 2008 were \$6,300, \$6,012, and \$5,710, respectively; which equaled the required contribution for each fiscal year.

9. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2010.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

9. CONTINGENCIES

B. State Funding

The Ohio Department of Education conducts reviews of Schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This review resulted in underpayment of state funding in the amount of \$5,740 for fiscal year 2010. This amount has been included as an intergovernmental receivable on the accompanying financial statements.

C. Litigation

There are currently no matters in litigation with the School as defendant.

10. PURCHASED SERVICES

For the fiscal period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors as follows:

Consultants' Services	\$203,318
Property Services	10,149
Communications	11,756
Utilities	58,310
Food Services	73,421
Other	<u>9,932</u>
Subtotal – Purchased Services	\$366,886
Building Rental Expense	<u>97,660</u>
Total Purchased Services	<u><u>\$464,546</u></u>

The School renegotiated a one year building lease with BJ Building Co. during fiscal year 2010 paying a monthly lease payment of \$7,470 for November 2009, \$4,000 per month for the period December 2009 thru January 2010 and \$8,464 per month for the period February 2010 thru August 2010. The lease is effective for the current school year.

11. SPONSORSHIP AGREEMENT

On April 26, 2005, the School entered into a two-year (fiscal years 2006 and 2007) sponsorship contract with The Educational Resource Consultants of Ohio. On February 26, 2007, the School signed an agreement with this same sponsor effective until June 30, 2010. Sponsorship fees paid are reflected as "Purchased Services" in the Statement of Revenue, Expenses, and Change in Net Assets.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

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 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. Payments to MDECA are made from the General Fund. The School paid MDECA \$10,920 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.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Agriculture			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$26,353	\$26,353
National School Lunch Program	10.555	48,973	48,973
Total Child Nutrition Cluster		<u>75,326</u>	<u>75,326</u>
ARRA-Child Nutrition Discretionary Grants Limited Availability	10.579	9,487	9,487
Total U.S. Department of Agriculture		<u>84,813</u>	<u>84,813</u>
U.S. Department of Education			
<i>Passed through Ohio Department of Education</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	202,854	201,336
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	80,202	80,624
Total Title I, Part A Cluster		<u>283,056</u>	<u>281,960</u>
Special Education Cluster:			
Special Education_Grants to States	84.027	33,774	43,515
ARRA-Special Education Grants to States, Recovery Act	84.391	16,897	14,911
Total Special Education Cluster		<u>50,671</u>	<u>58,426</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	1,720	1,720
Educational Technology State Grants	84.318	1,283	1,501
Improving Teacher Quality State Grants	84.367	11,613	20,384
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	66,970	66,970
Total U.S. Department of Education		<u>415,313</u>	<u>430,961</u>
Total Federal Financial Assistance		<u>\$500,126</u>	<u>\$515,774</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the City Day Community School's (the School's) federal award programs' receipts and disbursements. The Schedule has been prepared using the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.



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*

City Day Community School
Montgomery County
320 South Main Street
Dayton, Ohio 45402

To the Governing Board:

We have audited the financial statements of the business-type activities of City Day Community School, Montgomery 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 April 11, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 11, 2011.

We intend this report solely for the information and use of management, the finance committee, Governing Board, the Community School's sponsor, federal awarding agencies and pass-through entities, 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

April 11, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City Day Community School
Montgomery County
320 South Main Street
Dayton, Ohio 45402

To the Governing Board:

Compliance

We have audited the compliance of City Day Community School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect City Day Community School's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the City Day Community School complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the finance committee, the Governing Board, the Community School's sponsor, federal awarding agencies and pass-through entities, and others within the School. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

April 11, 2011

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies: CFDA #84.010 ARRA-Title I Grants to Local Educational Agencies, Recovery Act: CFDA #84.389
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	The School's 2009 financial statements contained errors that resulted in material reclassifications and adjustments	No	Partially Corrected, Repeated as management letter comment



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CITY DAY COMMUNITY 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 19, 2011**