



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 basic financial statements of City Day Community School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2012, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Day Community School, Montgomery County, Ohio, as of June 30, 2012, and the change 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 February 6, 2013, 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

February 6, 2013

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Total net assets decreased (\$84,855) in fiscal year 2012, which represents a 70% decrease from the prior year.
- Total assets decreased (\$108,733), which represents a 43% decrease from the prior year.
- The operating loss reported for fiscal year 2012 (\$438,968) was \$57,149 more than the operating loss reported for fiscal year 2011 (\$381,819) or a 15% increase.

Using this Financial Report

This financial report contains the basic financial statements of the School, 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 used by most private-sector companies. 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 overall position and financial viability of the School, 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.

Table 1 provides a summary of the School's net assets for fiscal year 2012 compared with fiscal year 2011.

	2012	2011
Assets:		
Current Assets	\$124,298	\$217,125
Capital Assets, Net	21,672	37,578
Total Assets	145,970	254,703

(Continued)

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**Table 1
Net Assets
(Continued)**

	2012	2011
Liabilities:		
Current Liabilities	100,737	120,160
Long-Term Liabilities	8,620	13,075
Total Liabilities	<u>109,357</u>	<u>133,235</u>
Net Assets:		
Investment in Capital Assets (Net of Related Debt)	8,556	20,316
Restricted Net Assets	9,383	17,249
Unrestricted	18,674	83,903
Total Net Assets	<u>\$ 36,613</u>	<u>\$121,468</u>

Total net assets of the School decreased by (\$84,855) from those reported at June 30, 2011 due to decrease in cash on hand at year end.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 compared to fiscal year 2011.

**Table 2
Changes in Net Assets**

	2012	2011
Operating Revenues:		
Foundation	\$1,185,466	\$1,164,765
Non Operating Revenues:		
State and Federal Grants	326,528	461,623
Miscellaneous Revenues	28,786	19,157
Interest Earnings	53	8
Total Revenues	<u>1,540,833</u>	<u>1,645,553</u>
Operating Expenses:		
Salaries	782,343	776,909
Fringe Benefits	217,023	175,725
Purchased Services	485,909	467,579
Materials and Supplies	73,889	51,322
Capital Outlay	681	
Depreciation	15,906	18,604
Other Expenses	48,683	56,445
Non Operating Expenses:		
Interest Expense	1,254	2,156
Total Expenses	<u>1,625,688</u>	<u>1,548,740</u>
Change in Net Assets	(84,855)	96,813
Net Assets at Beginning of Year	121,468	24,655
Net Assets at End of Year	<u>\$ 36,613</u>	<u>\$ 121,468</u>

Operating revenue increased \$20,701 during fiscal year 2012. The increase was the result of increased in enrollment between years.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Total expenses of the School reported for fiscal year 2012 increased by \$76,948 compared to those reported for the previous fiscal year. The increases in expenses were due in part to increase in salaries, fringe benefits, purchased services and material and supplies.

Capital Assets

At June 30, 2012, the School has \$21,672 in capital assets net of accumulated depreciation. See Note 5 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Debt

At June 30, 2012, the School has \$13,116 in capitalized leases. See Notes 13 and 14 of the notes to the basic financial statements for more detailed information on the School's capitalized leases.

Contacting the School

This financial report is designed to provide a general overview of the finances of the City Day Community School 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, 2012**

Assets:

Current Assets:

Cash	\$87,656
Intergovernmental Receivables	36,642
Total Current Assets	<u>124,298</u>

Non-Current Assets:

Capital Assets (Net of Accumulated Depreciation)	21,672
Total Assets	<u>145,970</u>

Liabilities:

Current Liabilities:

Accounts Payable	13,530
Intergovernmental Payable	4,195
Accrued Wages Payable	78,516
Capital Lease - Current	4,496
Total Current Liabilities	<u>100,737</u>

Non-Current Liabilities:

Capital Leases - Non-Current	8,620
Total Liabilities	<u>109,357</u>

Net Assets:

Investment in Capital Assets (Net of Related Debt)	8,556
Restricted	9,383
Unrestricted	18,674
Total Net Assets	<u><u>\$36,613</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, 2012**

Operating Revenues:	
State Foundation Payments	\$1,185,466
Total Operating Revenues	<u>1,185,466</u>
Operating Expenses:	
Salaries	782,343
Fringe Benefits	217,023
Purchased Services	485,909
Materials and Supplies	73,889
Capital Outlay	681
Depreciation	15,906
Miscellaneous	48,683
Total Operating Expenses	<u>1,624,434</u>
Operating Loss	<u>(438,968)</u>
Non-Operating Revenues (Expenses):	
Federal and State Grants	326,528
Miscellaneous	28,786
Interest Income	53
Interest Expense	(1,254)
Total Non-Operating Revenues (Expenses)	<u>354,113</u>
Change in Net Assets	(84,855)
Net Assets at Beginning of Year	<u>121,468</u>
Net Assets at End of Year	<u><u>\$36,613</u></u>

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, 2012**

Increase / Decrease in Cash

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,192,491
Cash Payments to Suppliers for Goods and Services	(568,268)
Cash Payments to Employees for Services & Benefits	(994,896)
Cash Payments for Other Operating Activities	(65,096)
Net Cash Used in Operating Activities	(435,769)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants - Federal and State Grants	368,343
Cash Received from Miscellaneous Activities	28,786
Net Cash Provided by Noncapital Financing Activities	397,129

Cash Flows from Capital and Related Financing Activities

Principal paid on Capital Lease	(4,146)
Interest paid on Capital Lease	(1,254)
Net Cash Used in Capital Financing Activities	(5,400)

Cash Flows from Investing Activities

Cash Received from Interest Earnings	53
Net Cash Provided by Investing Activities	53

Net Increase in Cash (43,987)

Cash, Beginning of Year 131,643

Cash, End of Year 87,656

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Loss (438,968)

Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:

Depreciation 15,906

Changes in Assets and Liabilities:

Decrease in Intergovernmental Receivable Related to State Foundation 7,025

(Decrease) in Accounts Payable (24,202)

Increase in Accrued Wages 3,585

Increase in Intergovernmental Payable 885

Total Adjustments 3,199

Net Cash Used in Operating Activities (\$435,769)

The School had outstanding Intergovernmental Receivables related to non-operating grants of \$34,838 at June 30, 2012

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, 2012**

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 operation of the school. 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 creation of the School 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 seven-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 fifty-seven (157) 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, 2011. On June 9, 2011 the School signed an agreement with the same sponsor effective until June 30, 2012.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 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, 2012
(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 net of related debt, restricted 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 received by the School are maintained in demand deposit accounts. 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, food service equipment, vehicles and capital leases 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 assets.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts received under the above program for the 2012 fiscal year totaled \$1,185,466.

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. Amounts received under the above program for the 2012 fiscal year totaled \$326,528.

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, 2012 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled \$96,241 at June 30, 2012.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Assets restricted for other purposes include resources restricted for required food service operations and federal and state grants restricted to expenditures for specified purposes. The School applies restricted resources when expenses for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS

At June 30, 2012, the carrying amount of the School's deposits was \$87,656 and the bank balance was \$105,676. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the School's entire bank balance was covered by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables at June 30, 2012 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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. RECEIVABLES (Continued)

CRRS	\$13,668
Title I	9,989
Title II-A	3,151
Title II-D	305
Special Education	5,254
Education Jobs	2,471
FY 2012 ODE FTE Adjustment	1,804
Total	<u><u>\$36,642</u></u>

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2012 follows:

	Balance 07/01/2011	Additions	Deletions	Balance 06/30/2012
Capital Assets:				
Furniture & Equipment	\$212,983			\$212,983
Food Service Equipment	17,712			17,712
Vehicles	2,250			2,250
Capitalized Leases	33,834			33,834
Total Capital Assets	266,779			266,779
Less: Accumulated Depreciation	(229,201)	(\$15,906)		(245,107)
Capital Assets, Net	<u>\$ 37,578</u>	<u>(\$15,906)</u>	<u>\$0</u>	<u>\$ 21,672</u>

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 2012. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits: annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$25,088, \$18,759 and \$20,464, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS 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% 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.

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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. PENSION PLANS (Continued)

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

Funding Policy

For fiscal year 2012, 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, 2012, 2011 and 2010 were \$80,050, \$72,488 and \$81,900, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 2012 all members of the Governing Board have elected Social Security. The Board's liability is 6.2% wages.

8. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,481, \$1,207 and \$1,217, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$4,543, \$4,718 and \$737, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving benefits. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$6,158, \$5,576 and \$6,300, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

9. CONTINGENCIES

A. Student Attendance Data / Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time.

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.

This review resulted in underpayment of state funding in the amount of \$1,804 for fiscal year 2012. This amount has been included as an intergovernmental receivable on the accompanying financial statements.

10. PURCHASED SERVICES

For the fiscal period July 1, 2011 through June 30, 2012, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$166,388
Property Services	133,503
Meeting	3,995
Communication	18,652
Utilities	47,669
Food Services	84,768
Other	30,934
Total	<u>\$485,909</u>

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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, 2011. On June 9, 2011 the School signed an agreement with the same sponsor effective until June 30, 2012. Sponsorship fees paid are reflected as "Purchased Services" in the Statement of Revenues, Expenses, and Change in Net Assets.

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 \$5,215 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

13. LONG TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/2011	Additions	Deletions	Amount Outstanding 6/30/2012	Due In One Year
Capital Lease	\$17,262	\$ 0	\$4,146	\$13,116	\$4,496

The school entered into a capital lease for a copier on January 28, 2010. The capitalized cost associated with this lease is \$21,834. Lease provisions provide for payments of \$450 over a period of sixty (60) months beginning July of 2010. The imputed annual interest rate for this lease is calculated to be 8.15%.

14. CAPITAL LEASE OBLIGATIONS

The school entered into a capital lease for a copier on January 28, 2010. The capitalized cost associated with this lease is \$21,834. Lease provisions provide for payments of \$450 over a period of sixty (60) months beginning July of 2010. The imputed annual interest rate for this lease is calculated to be 8.15%.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. CAPITAL LEASE OBLIGATIONS (Continued)

The following summarizes the minimum principal payments due under this lease subsequent to June 30, 2012:

2013	\$ 5,400
2014	5,400
2015	<u>3,955</u>
Total	14,755
Less: Interest	<u>(1,639)</u>
Total	<u><u>\$13,116</u></u>

15. OPERATING LEASE

On August 23, 1999, the School entered into a four year lease with BJ Building Co, LLC for classroom space at 320 South Main Street. The School has subsequently signed nine amendments to the lease extending the lease term to August 31, 2013 at a rate of \$8,470 per month. In November 2011 the monthly rate was adjusted from \$8,470 to \$6,720. The lease expense for the year ended June 30, 2012 was \$87,640.



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 the business-type activities of City Day Community School, Montgomery County, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 6, 2013. 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 A certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 6, 2013.

We intend this report solely for the information and use of management, the Governing Board, the Community School's sponsor, 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

February 6, 2013

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Material Weakness – Failure to report capital lease and restricted net assets	Yes	

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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
MARCH 7, 2013**