CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of City Day Community School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Opinion

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, as of June 30, 2013, and the change in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, the School has suffered recurring losses from operations and has a net position deficiency. Note 17 describes management's plan regarding this matter. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2014

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, 2013. 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 2013 are as follows:

- Total net position decreased $111,516 in fiscal year 2013, which represents a 304% decrease from the prior year.
- Total assets decreased $44,102, which represents a 30% decrease from the prior year.
- The operating loss reported for fiscal year 2013 ($456,158) was $17,190 more than the operating loss reported for fiscal year 2012 ($438,968) or a 4% 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 position, statement of revenues, expenses and change in net position, 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.

Statement of Net Position

The statement of net position 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 position; 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 position for fiscal year 2013 compared with fiscal year 2012.

Table 1
Net Position

	2013	2012
Assets:		
Current Assets	$89,163	$124,298
Capital Assets, Net	12,705	21,672
Total Assets	101,868	145,970
Liabilities:		
Current Liabilities	173,029	100,737
Long-Term Liabilities	3,742	8,620
Total Liabilities	176,771	109,357

(Continued)

Table 1
Net Position
(Continued)

	2013	2012
Net Position:		
Net Investment in Capital Assets	4,086	8,556
Restricted	56,539	9,383
Unrestricted	(135,528)	18,674
Total Net Position (deficit)	($74,903)	$36,613

Total net position of the School decreased by $111,516 from those reported at June 30, 2012 due to decrease in cash on hand at year end and increased liabilities.

Table 2 shows the change in net position for the fiscal year ended June 30, 2013 compared to fiscal year 2012.

Table 2
Change in Net Position

	2013	2012
Operating Revenues:		
Foundation	$1,012,634	$1,185,466
Non Operating Revenues:		
State and Federal Grants	330,036	326,528
Miscellaneous Revenues	15,710	28,786
Interest Earnings	60	53
Total Revenues	1,358,440	1,540,833
Operating Expenses:		
Salaries	689,885	782,343
Fringe Benefits	215,533	217,023
Purchased Services	496,585	485,909
Materials and Supplies	27,233	73,889
Capital Outlay	5,694	681
Depreciation	8,967	15,906
Miscellaneous	24,895	48,683
Non Operating Expenses:		
Interest Expense	1,164	1,254
Total Expenses	1,469,956	1,625,688
Change in Net Position	(111,516)	(84,855)
Net Position at Beginning of Year	36,613	121,468
Net Position at End of Year	($ 74,903)	$ 36,613

Total revenue decreased $182,393 during fiscal year 2013. The decrease was the result of a decrease in enrollment between years.

Total expenses of the School reported for fiscal year 2013 decreased by $155,732 compared to those reported for the previous fiscal year. The decrease in expenses was due in part to a decrease in salaries, fringe benefits and material and supplies.

Capital Assets

The School has $12,705 invested in capital assets net of accumulated depreciation. See Note 6 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Debt

At June 30, 2013, the School has $8,619 in capitalized leases. See Notes 14 and 15 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 POSITION
JUNE 30, 2013

Assets:	
Current Assets:	
Cash	$22,515
Intergovernmental Receivables	66,648
Total Current Assets	89,163
Non-Current Assets:	
Capital Assets (Net of Accumulated Depreciation)	12,705
Total Assets	101,868
Liabilities:	
Current Liabilities:	
Accounts Payable	76,354
Intergovernmental Payable	10,764
Accrued Wages Payable	81,034
Capital Lease - Current	4,877
Total Current Liabilities	173,029
Non-Current Liabilities:	
Capital Leases - Non-Current	3,742
Total Liabilities	176,771
Net Position:	
Net Investment in Capital Assets	4,086
Restricted	56,539
Unrestricted	(135,528)
Total Net Position	($74,903)

See accompanying notes to the basic financial statements.

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
State Foundation Payments	$1,012,634
Total Operating Revenues	1,012,634
Operating Expenses:	
Salaries	689,885
Fringe Benefits	215,533
Purchased Services	496,585
Materials and Supplies	27,233
Capital Outlay	5,694
Depreciation	8,967
Miscellaneous	24,895
Total Operating Expenses	1,468,792
Operating Loss	(456,158)
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	323,494
State Grant Revenue	6,542
Miscellaneous	15,710
Interest Income	60
Interest Expense	(1,164)
Total Non-Operating Revenues (Expenses)	344,642
Change in Net Position	(111,516)
Net Position at Beginning of Year	36,613
Net Position at End of Year	($74,903)

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, 2013

Increase / Decrease in Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,014,438
Cash Payments to Suppliers for Goods and Services	(470,452)
Cash Payments to Employees for Services & Benefits	(896,331)
Cash Payments for Other Operating Activities	(21,131)
Net Cash Used in Operating Activities	(373,476)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants - Federal and State Grants	298,226
Cash Received from Miscellaneous Activities	15,710
Net Cash Provided by Noncapital Financing Activities	313,936
Cash Flows from Capital and Related Financing Activities:	
Principal paid on Capital Lease	(4,497)
Interest paid on Capital Lease	(1,164)
Net Cash Used in Capital Financing Activities	(5,661)
Cash Flows from Investing Activities	
Cash Received from Interest Earnings	60
Net Cash Provided by Investing Activities	60
Net Decrease in Cash	(65,141)
Cash, Beginning of Year	87,656
Cash, End of Year	22,515
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(456,158)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	8,967
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable Related to State Foundation	1,804
Increase in Accounts Payable	62,824
Increase in Accrued Wages	2,518
Increase in Intergovernmental Payable	6,569
Total Adjustments	82,682
Net Cash Used in Operating Activities	($373,476)

The School had outstanding intergovernmental receivables related to non-operating grants of $66,648 at June 30, 2013.

See accompanying notes to the basic finanical statements.

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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 forty (140) 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; this was amended several times subsequently. On July 1, 2013 the School signed an agreement with the same sponsor effective until June 30, 2015.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Associates (MDECA). MDECA is presented in Note 13 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.

A. Basis of Presentation

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

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 position. Net Position is segregated into net investment in capital assets, restricted components, and unrestricted components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. 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 a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net position.

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 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.

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 2013 fiscal year totaled $1,012,634.

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 recorded under the above program for the 2013 fiscal year totaled $330,036.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

The School does not record a liability for compensated absences because 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, 2013 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled $176,771 at June 30, 2013.

J. Deferred Outflow / Deferred Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2013, the School reported no deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2013, the School had no items which were classified as deferred inflows of resources.

K. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School's financial statements.

4. DEPOSITS

At June 30, 2013, the carrying amount of the School's deposits was $22,515 and the bank balance was $38,022. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2013 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.

CRRS	$1,121
Title I	18,486
Title I Sub A	27,634
Title II-A	8,892
Special Education	10,515
Total	$66,648

6. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2013 follows:

	Balance 07/01/2012	Additions	Deletions	Balance 06/30/2013
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	(245,107)	($8,967)		(254,074)
Capital Assets, Net	$21,672	($8,967)	$0	$ 12,705

7. 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 2013. 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.

8. 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**.

8. PENSION PLANS (Continued)

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% 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, 2013, 2012 and 2011 were $25,657, $25,088, and $18,759 respectively; 100 percent has been contributed for each fiscal year.

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.

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.

8. PENSION PLANS (Continued)

Funding Policy

For fiscal year ended June 30, 2013, 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, 2013, 2012 and 2011 were $73,704, $80,050, and $72,488, respectively; 100 percent has been contributed for each fiscal 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, 2013 all members of the Governing Board have elected Social Security. The Board's liability is 6.2% of those wages.

9. POST-EMPLOYMENT BENEFITS

A. School Employees 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 2013 was $104.90 for most participants, but could be as high as $335.70 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 2013, the actuarially required allocation is .74%. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were $1,449, $1,481, and $1,207 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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.

9. POST-EMPLOYMENT BENEFITS (Continued)

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, 2013, the health care allocation is .16%. 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. Statues 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 2013, the minimum compensation level was established at $20,525. 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, 2013, 2012, and 2011 were $3,091, $4,543, and $4,718, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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 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.

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 2013, 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, 2013, 2012 and 2011 were $5,670, $6,158, and $5,576, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

10. CONTINGENCIES (Continued)

A. 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. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, 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. The School does not anticipate any significant adjustments to State funding related to fiscal year 2013 as a result of the reviews which have yet to be completed.

11. PURCHASED SERVICES

For the fiscal year ended June 30, 2013, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	$150,987
Property Services	120,506
Meeting	2,668
Communication	47,042
Utilities	59,082
Food Services	74,337
Other	41,963
Total	$496,585

12. SPONSORSHIP AGREEMENT

On April 26, 2005, the School entered into a sponsorship contract with The Educational Resource Consultants of Ohio, subsequent agreements have since been signed. Sponsorship fees paid in the amount of $30,388 are reflected as “Purchased Services” in the Statement of Revenues, Expenses, and Change in Net Position.

13. 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.

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 $4,000 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.

14. LONG TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/2012	Additions	Deletions	Amount Outstanding 6/30/2013	Due In One Year
Capital Lease	$13,116	$0	$4,497	$8,619	$4,877

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%.

15. 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%.

The following summarizes the minimum principal payments due under this lease subsequent to June 30, 2013:

2014	$5,400
2015	3,955
Total	9,355
Less: Interest	(736)
Total	$8,619

16. 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, 2013 was $73,920.

17. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

Management has taken steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the School to return to financial stability.

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of City Day Community School, Montgomery County, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 27, 2014 wherein we noted that the School has an accumulated deficit of $74,903 as of June 30, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2014

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Governing Board:

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

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

1. In our report dated March 28, 2012, we noted the Board adopted an anti-harassment policy on July 11, 2011. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.

2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the July 11, 2011 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events;

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

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

Dave Yost

Dave Yost
Auditor of State

January 27, 2014

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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
FEBRUARY 20, 2014