



Dave Yost • Auditor of State

**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, 2015, 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.

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, 2015, and the changes 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 Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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* and schedules of net pension liabilities and pension contributions 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 August 22, 2016, 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
Auditor of State
Columbus, Ohio

August 22, 2016

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015. 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 2015 are as follows:

- Total net position increased \$83,611 in fiscal year 2015, which represents 4.6% increase from the prior year.
- Total assets decreased \$97,552, which represents 35.1% decrease from the prior year.
- Total liabilities decreased \$661,750, which represents 30.5% decrease from the prior year.
- Total revenues decreased \$1,834, which represents .1% decrease from the prior year.
- Total expenses decreased \$10,423, which represents .7% decrease from the prior year.

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 changes 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 deferred outflows and all liabilities and deferred inflows, 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 2015 compared with fiscal year 2014 (restated).

(Table 1)
Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Current Assets	\$ 112,560	\$ 209,849	\$ (97,289)
Capital Assets, Net	67,477	67,740	(263)
Total Assets	<u>180,037</u>	<u>277,589</u>	<u>(97,552)</u>
Deferred Outflows of Resources			
Pension	<u>110,283</u>	<u>80,421</u>	<u>29,862</u>
Total Deferred Outflows of Resources	<u>110,283</u>	<u>80,421</u>	<u>29,862</u>
Liabilities			

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Current Liabilities	170,056	228,047	(57,991)
Long Term Liabilities	<u>1,334,851</u>	<u>1,938,610</u>	<u>(603,759)</u>
Total Liabilities	<u>1,504,907</u>	<u>2,166,657</u>	<u>(661,750)</u>
Deferred Inflows of Resources			
Pension	<u>510,449</u>	<u>-</u>	<u>510,449</u>
Total Deferred Inflows of Resources	<u>510,449</u>	<u>-</u>	<u>510,449</u>
Net Position			
Net Investment in Capital Assets	18,054	2,710	15,344
Restricted	54,041	18,317	35,724
Unrestricted	<u>(1,797,131)</u>	<u>(1,829,674)</u>	<u>32,543</u>
Total Net Position	<u>\$ (1,725,036)</u>	<u>\$ (1,808,647)</u>	<u>\$ 83,611</u>

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$119 to \$(1,808,647).

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 compared to fiscal year 2014 (restated).

(Table 2)
Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Operating Revenues			
Foundation	\$ 1,208,223	\$1,245,176	\$ (36,953)
Casino Aid	7,974	7,849	125
Non-Operating Revenues			
Federal and State	333,543	274,862	58,681
Miscellaneous	206	17,690	(17,484)
Gain on Sale of Capital Assets	0	6,203	(6,203)
Total Revenues	<u>1,549,946</u>	<u>1,551,780</u>	<u>(1,834)</u>
Operating Expenses			
Salaries and Wages	709,543	600,758	108,785
Fringe Benefits	115,224	173,253	(58,029)
Purchased Services	570,657	521,960	48,697
Material and Supplies	18,246	115,456	(97,210)
Capital Outlay	-	11,947	(11,947)
Depreciation	20,324	14,361	5,963
Miscellaneous	32,341	34,142	(1,801)
Non-Operating Expenses			
Interest Expenses	-	4,881	(4,881)
Total Expenses	<u>1,466,335</u>	<u>1,476,758</u>	<u>(10,423)</u>

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Change in Net Position	83,611	75,022	8,589
Net Position, Beginning of Year	<u>(1,808,647)</u>	<u>N/A</u>	<u>N/A</u>
Net Position, End of Year	<u>\$ (1,725,036)</u>	<u>\$ (1,808,647)</u>	<u>\$ 83,611</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 fringe benefits expenses still include pension expense of \$80,421 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$6,074. Consequently, in order to compare 2015 total fringe benefits expenses to 2014, the following adjustments are needed:

Total 2015 Fringe Benefits under GASB 68	\$ 115,224
Pension Expense under GASB 68	\$6,074
2015 Contractually Required Contribution	<u>97,960</u>
Adjusted 2015 Fringe Benefits	219,258
Total 2014 Fringe Benefits under GASB 27	<u>(173,253)</u>
Increase in Fringe Benefits Not Related to Pension	<u>\$ 46,005</u>

Capital Assets

The School has \$67,477 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, 2015, the School has \$49,423 in capitalized leases. See Notes 13 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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015**

Assets

Current Assets:

Cash	\$ 39,113
Refund	6,295
Intergovernmental Receivable	<u>67,152</u>
Total Current Assets	<u>112,560</u>

Non-Current Assets:

Capital Assets, Net	<u>67,477</u>
Total Assets	<u>180,037</u>

Deferred Outflows of Resources:

Pension	<u>110,283</u>
Total Deferred Outflows of Resources	<u>110,283</u>

Liabilities

Current Liabilities:

Accounts Payable	50,952
Accrued Wages Payable	80,617
Intergovernmental Payable	22,880
Capital Lease	<u>15,607</u>
Total Current Liabilities	<u>170,056</u>

Long-Term Liabilities:

Net Pension Liability (See Note 8)	1,301,035
Capital Leases	<u>33,816</u>
Total Long-Term Liabilities	<u>1,334,851</u>
Total Liabilities	<u>1,504,907</u>

Deferred Inflows of Resources:

Pension	<u>510,449</u>
Total Deferred Inflows of Resources	<u>510,449</u>

Net Position:

Net Investment in Capital Assets	18,054
Restricted	54,041
Unrestricted	<u>(1,797,131)</u>
Total Net Position	<u><u>\$ (1,725,036)</u></u>

See accompanying notes to the basic financial statements

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Operating Revenues	
State Foundation Payments	\$ 1,208,223
Casino	7,974
Total Operating Revenues	<u>1,216,197</u>
Operating Expenses	
Salaries	709,543
Fringe Benefits	115,224
Purchased Services	570,657
Materials and Supplies	18,246
Depreciation	20,324
Miscellaneous	32,341
Total Operating Expenses	<u>1,466,335</u>
Operating Loss	(250,138)
Non-Operating Revenues	
Federal Grant Revenue	332,024
State Grant Revenue	1,519
Miscellaneous Revenue	206
Total Non-Operating Revenues	<u>333,749</u>
Change in Net Position	83,611
Net Position at Beginning of Year, Restated	<u>(1,808,647)</u>
Net Position at End of Year	<u>\$ (1,725,036)</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, 2015**

Increase / Decrease in Cash

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,212,772
Cash Payments to Employees for Services & Benefits	(911,326)
Cash Payments to Suppliers for Goods and Services	(651,454)
Cash Payments for Other Operating Activities	(39,358)
Net Cash Used in Operating Activities	<u>(389,366)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants - Federal and State Grants	329,612
Cash Received from Miscellaneous Activities	206
Net Cash Provided by Noncapital Financing Activities	<u>329,818</u>

Cash Flows from Capital and Related Financing Activities:

Principal paid on Capital Lease	(15,607)
Purchase of Capital Assets	(20,061)
Net Cash Used in Capital Financing Activities	<u>(35,668)</u>

Net Decrease in Cash (95,216)

Cash, Beginning of Year 134,329

Cash, End of Year \$ 39,113

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss (250,138)

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

Depreciation 20,324

Changes in Assets and Deferred Outflows and Liabilities and Deferred Inflows

Decrease in Refund Receivable	6,004
Decrease in Accounts Payable	(69,568)
Decrease in Accrued Wages	(6,613)
Increase in Intergovernmental Payable	18,190
Decrease in Relation to GASB 68	(107,565)
Total Adjustments	<u>(139,228)</u>

Net Cash Used in Operating Activities \$ (389,366)

Noncash Transactions: The School had outstanding intergovernmental receivables related to non-operating grants of \$67,152 at June 30, 2015.

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, 2015**

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 five-member Board of Governors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility staffed by eight non-certified personnel and twenty-two certificated teaching personnel who provide services to approximately one hundred fifty-five (155) 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 sponsor effective until June 30, 2012. 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 Association (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

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes 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 deferred outflows and all liabilities and deferred inflows are included on the statement of net position. Net Position is segregated into net investment in capital assets, restricted components, and unrestricted components.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, vehicles, and capital leases are 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 2015 fiscal year totaled \$1,208,223.

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 2015 fiscal year totaled \$333,543.

H. Compensated Absences

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2015 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled \$154,449 at June 30, 2015.

J. Deferred Outflow / Deferred Inflows of Resources

In addition to assets, the statement of financial position may report a separate section 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. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

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 that time. For the School, deferred inflows of resources are reported on the statement of net position for pension.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. 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 its 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 positions are available.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 and 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$119
Adjustments:	
Net Pension Liability	(1,889,187)
Deferred Outflow - Payments Subsequent to Measurement Date	80,421
Restated Net Position June 30, 2014	<u>(\$1,808,647)</u>

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. DEPOSITS

At June 30, 2015, the carrying amount of the School's deposits was \$39,113, and the bank balance was \$72,406. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2015 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.

Title I	\$34,039
Title I Sub A	23,227
Title II-A	9,364
Special Education	522
Total	<u>\$67,152</u>

6. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2015 follows:

	<u>Balance 07/01/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/2015</u>
Capital Assets:				
Furniture & Equipment	\$ 212,983	\$ 20,061	\$ -	\$ 233,044
Food Service Equipment	17,712	-	-	17,712
Vehicles	2,250	-	-	2,250
Capitalized Leases	78,036	-	-	78,036
Total Capital Assets	<u>310,981</u>	<u>20,061</u>	<u>-</u>	<u>331,042</u>
Less: Accumulated Depreciation	(243,241)	(20,324)	-	(263,565)
Capital Assets, Net	<u>\$ 67,740</u>	<u>\$ (263)</u>	<u>-</u>	<u>\$ 67,477</u>

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.

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7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2015. 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. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on an accrual basis of accounting.

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8. DEFINED BENEFIT PENSION PLANS (Continued)

School Employees Retirement System (SERS)

Plan Description

The School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$20,825 for fiscal year 2015.

State Teachers Retirement System (STRS)

Plan Description

The School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement

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8. DEFINED BENEFIT PENSION PLANS (Continued)

and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate

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8. DEFINED BENEFIT PENSION PLANS (Continued)

was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$77,135 for fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$181,283	\$1,119,752	\$1,301,035
Proportion of the Net Pension Liability	0.0035820%	0.00460359%	
Pension Expense	(\$25,988)	\$19,914	(\$6,074)

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,543	\$10,780	\$12,323
School contributions subsequent to the measurement date	<u>20,825</u>	<u>77,135</u>	<u>97,960</u>
Total Deferred Outflows of Resources	<u>\$22,368</u>	<u>\$87,915</u>	<u>\$110,283</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$29,423	\$207,158	\$236,581
Change in Proportionate Share	<u>146,597</u>	<u>127,271</u>	<u>273,868</u>
Total Deferred Inflows of Resources	<u>\$176,020</u>	<u>\$334,429</u>	<u>\$510,449</u>

\$110,283 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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8. DEFINED BENEFIT PENSION PLANS (Continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	\$43,615	80,913	\$124,528
2017	43,615	80,913	124,528
2018	43,615	80,913	124,528
2019	43,631	80,911	124,542
Total	<u>\$174,476</u>	<u>\$323,650</u>	<u>\$498,126</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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8. DEFINED BENEFIT PENSION PLANS (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School's proportionate share of the net pension liability	\$258,637	\$181,283	\$116,222

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8. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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8. DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$1,603,048	\$1,119,752	\$711,047

9. POST-EMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description

The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School surcharge obligation was \$452.

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9. POST-EMPLOYMENT BENEFITS (Continued)

The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,672, \$1,506, and \$3,091, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

State Teachers Retirement System

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

Funding Policy

Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$5,003 and \$5,610 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

10. PURCHASED SERVICES

For the fiscal year ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$157,713
Property Services	137,776
Meeting	646
Communication	16,725
Utilities	51,554
Food Services	85,780
Pupil Transportation	3,124
Other	117,339
Total	<u>\$570,657</u>

11. SPONSORSHIP AGREEMENT

On April 26, 2005, the School entered into a 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 sponsor effective until June 30, 2012. On July 1, 2013, the School signed an agreement with the same sponsor effective until June 30, 2015. Sponsorship fees paid in the amount of \$35,722 are reflected as "Purchased Services" in the Statement of Revenues, Expenses, and Change in Net Position.

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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 \$4,053 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. CAPITAL LEASE / LONG-TERM OBLIGATIONS

The School entered into a capital lease for two (2) Canon copiers on July 18, 2013. The capitalized cost associated with this lease is \$78,036. Lease provisions provide for payments of \$1,301 over a period of sixty (60) months beginning August 1, 2013.

The changes in the School's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/2014	Additions	Deductions	Amount Outstanding 6/30/2015	Due In One Year
Capital Lease	\$ 65,030	\$ 0	\$ 15,607	\$ 49,423	\$ 15,607
Net Pension Liability:					
STRS	1,492,931	0	373,179	1,119,752	0
SERS	396,256	0	214,973	181,283	0
Total Net Pension Liability	<u>1,889,187</u>	<u>0</u>	<u>588,152</u>	<u>1,301,035</u>	<u>0</u>
Total Long-Term Obligations	<u>\$ 1,954,217</u>	<u>\$ 0</u>	<u>\$ 603,759</u>	<u>\$ 1,350,458</u>	<u>\$ 15,607</u>

The following summarizes the minimum principal payments due under this lease subsequent to June 30, 2015:

2016	15,607
2017	15,607
2018	15,607
2019	2,602
Total	<u>\$49,423</u>

14. 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 ten amendments to the lease extending the lease term to August 31, 2015 at a rate of \$6,720 per month. The lease expense for the year ended June 30, 2015 was \$80,640.

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15. CONTINGENCIES

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, 2015, if applicable, cannot be determined at this time.

B. State Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

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City Day Community School
Montgomery County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System of Ohio</i>		
School's proportion of the net pension liability	0.00460359%	0.00460359%
School's proportionate share of the net pension liability	\$ 1,119,752	\$ 1,492,931
School's covered-employee payroll	\$ 506,538	\$ 566,954
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.06%	263.32%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
 <i>School Employees Retirement System of Ohio</i>		
School's proportion of the net pension liability	0.00358200%	0.00358200%
School's proportionate share of the net pension liability	\$ 181,283	\$ 396,256
School's covered-employee payroll	\$ 105,130	\$ 195,853
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.44%	202.32%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

City Day Community School
Montgomery County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System of Ohio</i>				
Contractually Required Contribution	\$ 77,135	\$ 65,850	\$ 73,704	\$ 80,050
Contributions in Relation to the Contractually Required Contribution	<u>(77,135)</u>	<u>(65,850)</u>	<u>(73,704)</u>	<u>(80,050)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's covered-employee payroll	\$ 550,964	\$ 506,538	\$ 566,954	\$ 615,769
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<i>School Employees Retirement System of Ohio</i>				
Contractually Required Contribution	\$ 20,825	\$ 14,571	\$ 27,106	\$ 26,569
Contributions in Relation to the Contractually Required Contribution	<u>(20,825)</u>	<u>(14,571)</u>	<u>(27,106)</u>	<u>(26,569)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's covered-employee payroll	\$ 158,005	\$ 105,130	\$ 195,853	\$ 197,539
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 72,488	\$ 81,900	\$ 78,438	\$ 74,228	\$ 99,227	\$ 71,767
<u>(72,488)</u>	<u>(81,900)</u>	<u>(78,438)</u>	<u>(74,228)</u>	<u>(99,227)</u>	<u>(71,767)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 557,600	\$ 630,000	\$ 603,369	\$ 570,985	\$ 763,285	\$ 552,054
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 19,966	\$ 21,681	\$ 19,270	\$ 19,411	\$ 9,214	\$ 4,439
<u>(19,966)</u>	<u>(21,681)</u>	<u>(19,270)</u>	<u>(19,411)</u>	<u>(9,214)</u>	<u>(4,439)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 158,839	\$ 160,126	\$ 195,833	\$ 197,668	\$ 86,273	\$ 41,957
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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, 2015, and the related notes to the financial statements which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 22, 2016, wherein we noted the School adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

School's Response to Findings

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

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

August 22, 2016

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

NONCOMPLIANCE / FINDING FOR RECOVERY – REPAID UNDER AUDIT

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect.

The School entered into a copier lease agreement with Canon Financial Services on July 18, 2013. The School was required to make monthly lease payments with the first payment due September 1, 2013; however, the School did not make its first lease payment until December 2013. Additionally, the School carried a balance due to Canon from September 2013 through January 2016 with the balance reaching a high of \$13,462 in May 2014. During this time period, the School accrued and paid late fees that totaled \$5,409, which would have been avoided had the required monthly lease payment been paid on time each month. The payment of late fees is not considered to serve a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Jesse Hemphill, Treasurer, authorized the payment of late fees and was responsible for verifying that monthly lease payments were paid prior to the due date. In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Jesse Hemphill in the amount of \$5,409, and in favor of City Day Community School.

The School should implement policies and procedures to verify that all payments due are made in a timely manner as to avoid late fees and interest charges. Failure to do so could result in waste of already-limited School resources and findings for recovery in future audits.

Repayment was made via check #78403 by the Treasurer's professional liability carrier coverage on July 21, 2016, in the amount of \$5,409. This amount was deposited by the School and posted to the School's accounting system on July 27, 2016 via receipt #101185.

Officials' Response: It is the School's position that the late payments accessed by Canon Financial Services were due to the School's inability to make timely lease payments when such payments became due. This condition was due to cash flow issues associated with the timing cash receipts of income from operations when the corresponding operating expenses became due. Management viewed these late fees as a form of interest expense associated with the cost of doing business.

FINDING NUMBER 2015-002

NONCOMPLIANCE / FINDING FOR RECOVERY – REPAID UNDER AUDIT

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect.

The School entered into a contract for fiscal year 2015 treasurer services with Treasurer, Jesse Hemphill's company, Hemphill & Associates. This contract was for a monthly amount of \$3,600, or \$43,200 for the fiscal year. The contract was signed by the School's Board President. In addition to the fiscal year 2015 contract amount, \$9,100 was owed to Hemphill & Associates as of July 1, 2014 related to a prior fiscal year contract. Therefore, the total contract obligation of \$52,300 was due to Hemphill & Associates. However, during fiscal year 2015 Hemphill & Associates was paid \$56,300 despite no approved fiscal year 2015 contract amendment.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Jesse Hemphill, Treasurer, in the amount of \$4,000, and in favor of City Day Community School.

The School should implement policies and procedures to verify that all payments are made in accordance with a legitimate invoice or approved contract. Failure to do so could result in waste of already-limited School resources and findings for recovery in future audits.

Repayment was made via check #27111440 by the Hemphill & Associates on August 19, 2016, in the amount of \$4,000. This amount was deposited by the School and posted to the School's accounting system on August 19, 2016 via receipt #101194.

Officials' Response: Management is of the opinion that the increase of \$ 300 / month in the fees paid to its Treasurer from \$ 3,600 to \$3,900 should have been effective on July 1, 2014, the beginning of the Schools 2014 – 2015 fiscal year. However, this approval failed to be documented in the corresponding Board Minutes.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material Weakness – Financial Statement errors related to intergovernmental receivable/intergovernmental revenue and accounts payable.	Yes	
2014-002	Finding for Recovery (FFR) and Ohio Ethics Referral – Ohio Rev. Code Sections’ 3314.02(E), 121.22(B)/(C), 3314.03(A) and 2921.42(A) – Board Member Pay – Repaid Under Audit	Yes	
2014-003	Finding for Recovery (FFR) and Ohio Ethics Referral – Ohio Rev. Code Sections’ 3314.02(E), 121.22(B)/(C), 3314.03(A) and 2921.42(A) – Board Member Pay – Repaid Under Audit	Yes	
2014-004	Finding for Recovery (FFR) and Ohio Ethics Referral – Ohio Rev. Code Sections’ 3314.02(E), 121.22(B)/(C), 3314.03(A) and 2921.42(A) – Board Member Pay – Repaid Under Audit	Yes	
2014-005	Finding for Recovery (FFR) – Ohio Rev. Code Sections’ 3314.02(E) and 121.22(B)/(C) – Board Member Pay – Repaid Under Audit	Yes	
2014-006	Finding for Recovery (FFR) – Ohio Rev. Code Sections’ 3314.02(E) and 121.22(B)/(C) – Board Member Pay – Repaid Under Audit	Yes	
2014-007	Finding for Recovery (FFR) – Ohio Rev. Code Sections’ 3314.02(E) and 121.22(B)/(C) – Board Member Pay – Repaid Under Audit	Yes	

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the 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 procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. 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. The Board amended the policy on August 12, 2015. We read the amended policy, noting it still does not include the following requirements listed in Ohio Rev. Code 3313.666.
 - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment. We identified that language related to dating violence was not included in the latest policy;
 - (2) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report; and
 - (3) A requirement that the school administration semiannually provide the president of the board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

August 22, 2016



Dave Yost • Auditor of State

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
SEPTEMBER 22, 2016**