



Mary Taylor, CPA
Auditor of State

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of City Day Community School, Montgomery County, (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of City Day Community School, Montgomery County, as of June 30, 2009, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements indicate the School has incurred a working capital deficiency of \$134,182, an operating loss of \$477,155, and an accumulated deficit of \$116,178, for the fiscal year ended June 30, 2009. Management's plans in regard to these matters are also described in Note 13.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 12, 2010

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- Total net assets decreased (\$98,793) in fiscal year 2009, which represents a (568%) decrease from the prior year.
- Total assets increased \$23,712, which represents an 18% increase from the prior year. The increase is primarily due to the increase in intergovernmental receivables exceeding the decreases in cash holdings and capital assets, net of accumulated depreciation at the end of the fiscal year.
- The operating loss reported for fiscal year 2009 (\$477,155) was \$4,070 more than the operating loss reported for fiscal year 2008 (\$473,085) or a 1% increase.

Using this Financial Report

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

Statement of Net Assets

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

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Table 1 provides a summary of the School's net assets for fiscal year 2009 compared with fiscal year 2008.

Table 1 Net Assets		
	2009	2008
Assets:		
Current and Other Assets	\$129,730	\$96,079
Capital Assets, Net	23,604	33,543
Total Assets	153,334	129,622
Liabilities:		
Current Liabilities	263,912	139,007
Non-current Liabilities	5,600	8,000
Total Liabilities	269,512	147,007
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,604	23,143
Unrestricted	(131,782)	(40,528)
Total Net Assets/Accumulated Deficit	(\$116,178)	(\$17,385)

Total net assets/accumulated (deficit) of the School decreased by (\$98,793) from those reported at June 30, 2008. The decrease, in part, is due to the increase in total liabilities of \$122,505 from fiscal year 2008 to fiscal year 2009.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, as well as revenue and expense comparisons to fiscal year 2008.

Table 2 Change in Net Assets		
	2009	2008
Operating Revenues:		
Foundation Payments	\$ 983,927	\$ 940,288
Poverty Based Assistance	173,267	160,212
Non Operating Revenues:		
State and Federal Grants	327,589	278,066
Miscellaneous Revenues	50,731	45,834
Interest Earnings	42	487
Total Revenues	1,535,556	1,424,887

(Continued)

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

**Table 2
Change in Net Assets**

	2009	2008
Operating Expenses:		
Salaries	821,484	766,023
Fringe Benefits	221,929	174,882
Building Rental	99,600	99,600
Other Purchased Services	405,584	427,396
Materials and Supplies	45,582	60,988
Depreciation	9,939	14,859
Other Expenses	30,231	29,837
Total Expenses	<u>1,634,349</u>	<u>1,573,585</u>
Decrease in Net Assets	(98,793)	(148,698)
Net Assets (Deficit) at Beginning of Year	(17,385)	131,313
Net Assets (Deficit) at End of Year	<u>(\$ 116,178)</u>	<u>(\$ 17,385)</u>

Operating revenue increased \$56,694 during fiscal year 2009. The increase was the result of an increase in state foundation funding. Additionally, funding provided through Federal and State grants increased \$49,523 and miscellaneous revenues (E-Rate) increased \$4,897 compared to the prior year amount received.

Total expenses of the School reported for fiscal year 2009 increased by \$60,764 compared to those reported for the previous fiscal year. The increases in expenses were due in part to increase in salaries and fringe benefits.

Capital Assets

At June 30, 2009, capital assets of the School were \$216,631, which were offset by \$193,027 in accumulated depreciation resulting in net capital assets of \$23,604. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2009 and 2008.

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

	2009	2008
Furniture & Equipment	\$194,156	\$194,156
Food Service Equipment	8,225	8,225
Vehicles	2,250	35,089
Capitalized Lease	12,000	12,000
Total Capital Assets	<u>216,631</u>	<u>249,470</u>
Less: Accumulated Depreciation	<u>(193,027)</u>	<u>(215,927)</u>
Total Net Capital Assets	<u>\$ 23,604</u>	<u>\$ 33,543</u>

The net decrease of \$(9,939) in total net capital assets was due to current year depreciation expense.

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

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 ASSETS
AS OF JUNE 30, 2009**

Assets:

Current Assets:

Cash	\$40,952
Receivables	
Intergovernmental	88,778
Total Current Assets	<u>129,730</u>

Non-Current Assets:

Capital Assets, Net of Accumulated Depreciation	23,604
Total Assets	<u>153,334</u>

Liabilities:

Current Liabilities:

Accounts Payable	128,244
Accrued Wages Payable	95,372
Intergovernmental Payable	37,896
Current Portion of Long-Term Obligations	2,400
Total Current Liabilities	<u>263,912</u>

Non-current Liabilities:

Non-current Portion of Long-Term Obligations	5,600
Total Liabilities	<u>269,512</u>

Net Assets:

Invested in Capital Assets (Net of Related Debt)	15,604
Unrestricted	(131,782)
Total Net Assets	<u><u>(\$116,178)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN ACCUMULATED DEFICIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating Revenues:	
State Foundation Payments	\$983,927
Poverty-Based Assistance	173,267
Total Operating Revenues	<u>1,157,194</u>
 Operating Expenses	
Salaries	821,484
Fringe Benefits	221,929
Building Rental	99,600
Other Purchased Services	405,584
Materials and Supplies	45,582
Depreciation	9,939
Other	30,231
Total Operating Expenses	<u>1,634,349</u>
 Operating Loss	 (477,155)
 Non-Operating Revenues:	
Federal Grants	323,589
State Grants	4,000
Other Sources	50,731
Interest Income	42
Total Non-Operating Revenues	<u>378,362</u>
 Change in Net Assets	 (98,793)
 Accumulated Deficit, Beginning of Year	 <u>(17,385)</u>
 Accumulated Deficit, End of Year	 <u><u>(\$116,178)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,149,872
Refund from State of Ohio Department of Education	357
Cash Payments to Suppliers for Goods and Services	(469,402)
Cash Payments to Employees for Services and Benefits	(1,092,201)
Net Cash Used in Operating Activities	<u>(411,374)</u>

Cash Flows from Noncapital Financing Activities

Cash Received from Grants - Federal & State Grants	335,595
Cash Received from Local Contributions	50,731
Net Cash Provided by Noncapital Financing Activities	<u>386,326</u>

Cash Flows from Capital and Related Financing Activities

Payments on Capital Lease	<u>(2,400)</u>
Net Cash Used in Capital Financing Activities	(2,400)

Cash Flows From Investing Activities

Cash Received From Interest Earnings	<u>42</u>
Net Cash Provided by Investing Activities	<u>42</u>

Net increase (Decrease) in Cash and Cash Equivalents (27,406)

Cash and Cash Equivalents, Beginning of Year 68,358

Cash and Cash Equivalents, End of Year 40,952

Reconciliation of Operating Loss to Net Cash Provided (Used) in Operating Activities

Operating (Loss) (477,155)

Adjustments to Reconcile Operating (Loss) to Net cash provided by (Used in) Operating Activities

Depreciation 9,939

Change in Assets and Liabilities

Decrease (Increase) in Intergovernmental Receivables (69,063)

Increase (Decrease) in Intergovernmental Payable (1,318)

Increase (Decrease) in Accounts Payable 99,702

Increase (Decrease) in Accrued Wages 26,521

Net Cash Used in Operating Activities (\$411,374)

The accompanying notes to the basic financial statements are an integral part of this statement.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 three non-certified personnel and seventeen certificated teaching personnel who provide services to approximately one hundred forty-eight (148) students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below:

A. Basis of Presentation – Enterprise Accounting

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

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting

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

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Estimates

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

F. Capital Assets and Depreciation

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

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Poverty-Based Assistance (PBA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

H. Compensated Absences

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

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2009 are reported as accrued liabilities in the accompanying financial statements. Accounts payable totaled \$128,244 at June 30, 2009.

3. DEPOSITS AND INVESTMENTS

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

The School maintains its cash balances at one financial institution located in Dayton, Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for noninterest bearing accounts and up to \$250,000 for interest-bearing accounts at each bank. At June 30, 2009, the School had a book cash balance of \$40,952. The bank balance of the School's deposits was \$82,191, which resulted in all cash balances being fully insured.

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2009 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
State Foundation	\$ 6,965
SERS	32,098
STRS	30,000
Title I - Target	19,604
National School Lunch	111
Total	\$88,778

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2009 follows:

	Balance 07/01/2008	Additions	Deletions	Balance 06/30/2009
Capital Assets:				
Furniture & Equipment	\$194,156			\$194,156
Food Service Equipment	8,225			8,225
Vehicles	35,089		(\$32,839)	2,250
Capitalized Lease	12,000			12,000
Total Capital Assets	249,470		(32,839)	216,631
Less: Accumulated Depreciation	(215,927)	(\$9,939)	32,839	(193,027)
Capital Assets, Net	\$33,543	(\$9,939)	\$ 0	\$23,604

On May 14, 2008, the Board approved a resolution to transfer the School's 2003 Chevrolet Mini Bus to Chaminade Julienne Catholic High School (CJ) in exchange for 25 bus trips per year, three hundred (300) round trip miles/trip, for a period of six years. The transfer of title occurred on August 13, 2008.

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains insurance coverage thru Philadelphia Indemnity Insurance Company for rental/theft; general liability and directors and officers' liability in amounts that the Board feels is adequate. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in any of the past three years.

B. Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2009. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Employee, Medical, Dental, and Vision Benefits

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$17,926, \$18,106, and \$8,398 respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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.

Funding Policy - For the fiscal year ended June 30, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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, 2009, 2008, and 2007 were \$78,438, \$74,228, and \$99,227, respectively; 100 percent has been contributed for all fiscal years.

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 Employees Retirement System. As of June 30, 2009 all members the Governing Board have elected Social Security. The contribution rate is 6.2% of wages.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,162, \$8,262, and \$3,170 respectively; 100 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,344, \$1,305, and \$817 respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,012, \$5,710, and \$7,633 respectively; 100 percent has been contributed for all fiscal years.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2009.

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. For fiscal year 2009, the conclusion of this review revealed an underpayment of state funding to the school by \$6,965. This amount has been included as an intergovernmental receivable on the financial statements.

C. Litigation

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

10. PURCHASED SERVICES

For the fiscal period July 1, 2008 through June 30, 2009, purchased service expenses were payments for services rendered by various vendors as follows:

Consultants' Services	\$155,688
Property Services	32,485
Communication	33,934
Utilities	50,070
Food Services	71,527
Other Purchased Services	<u>61,880</u>
Subtotal Purchased Services	405,584
Building Rental Expense	<u>99,600</u>
Total Purchased services	<u><u>\$505,184</u></u>

The School renegotiated a one year building lease paying a monthly lease payment of \$8,300, from September 1, 2008 thru July 31, 2009 with BJ Building Co.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. LONG-TERM DEBT

Detail of the changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Addition	Deduction	Balance June 30, 2009	Amount Due Within One Year
2008 Capital Lease	\$10,400		\$2,400	\$8,000	\$2,400
Total Long-term Liabilities	<u>\$10,400</u>		<u>\$2,400</u>	<u>\$8,000</u>	<u>\$2,400</u>

A summary of future long-term debt funding requirements as of June 30, 2009 follows:

Years	Principal
2010	\$2,400
2011	2,400
2012	2,400
2013	800
Total	<u>\$8,000</u>

The capital lease was for a copier.

12. SPONSORSHIP AGREEMENT

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

13. MANagements Plans Regarding Accumulated Deficit

Management's long range plans in addressing this deficit are to increase revenues through increased enrollment while at the same time limiting expenditures to only those deemed essential to operations.

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Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the business-type activities of City Day Community School, Montgomery County, (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 12, 2010, wherein we noted that the School has incurred a working capital deficiency of \$134,182, and operating loss of \$477,155, and an accumulated deficit of \$116,178 for the year ended June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. The significant deficiency described above as finding number 2009-001, we believe is also a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated March 12, 2010.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School's management in a separate letter dated March 12, 2010.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the governing board, finance committee, management, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 12, 2010

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness – Financial Statement Adjustments

The School prepares its annual financial statements in accordance with generally accepted accounting principles (GAAP). The School's Financial Report for 2009 contained errors which resulted in several reclassifications and adjustments to correctly report the financial activity during and at the end of the period as follows:

Statement of Net Assets:

- Intergovernmental Receivables was understated \$69,063;
- Intergovernmental Payables was understated \$12,855;
- Unrestricted Net Assets was understated \$56,208;

Statement of Revenues, Expenses and Change in Accumulated Deficit:

- State Foundation Payments Revenues were understated \$6,965;
- Fringe Benefits Expenses were overstated \$49,243;
- Operating Loss was overstated \$56,208;

Statement of Cash Flows

- Cash Payments to Suppliers for Goods and Services were overstated by \$16,847;
- Cash Payments to Employees for Services and Benefits was understated by \$8,842;
- Cash Received from Local Contributions was overstated by \$53,523;
- Cash Payments for Non-capital Financing Activities was understated by \$61,529.

In addition, several errors were noted in the Management Discussion and Analysis (MD&A) and the Notes to the Basic Financial Statements including an adjustment to properly remove a bus and its corresponding accumulated depreciation from the summary of the School's capital assets as it was no longer owned by the School in fiscal year 2009. Adjustments to correct the significant errors above are reflected in the financial statements.

Procedures should be developed and implemented to provide for the integrity of the financial records. Additionally, the amounts in the financial statements, notes to the financial statements, and MD&A should be supported by the appropriate documentation.

Officials' Response:

Many of the misstatements noted in the above referenced financial statements were the results of adjustments noted by the Auditors. These adjustments, along with the other noted modifications to the compiled financial statements and related MD&A and footnote disclosures made available to the Auditors, have been reviewed in detail with our Treasurer. We are in complete agreement with these modifications.

To prevent the reoccurrence of similar modifications in the future, our Treasurer has agreed to expand the internal quality control review process and procedures of all reports generated by his office. This expansion will include the review of all reports issued by the firm by an additional management level (Manager or above) individual who is independent of the engagement.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Admin Code 117-2-02(D)(4)(c) – Failure to maintain capital asset policies and procedures	No	Partially corrected, reported in a separate letter to management of the school.
2008-002	The School's 2008 Financial Report contained errors which resulted in reclassifications and adjustments	No	Repeat as Finding 2009-001.

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Mary Taylor, CPA

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 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 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. We noted the Board adopted an anti-harassment policy at its meeting on September 11, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

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

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

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



Mary Taylor, CPA
Auditor of State

March 12, 2010



Mary Taylor, CPA
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
APRIL 13, 2010**