CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

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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, Ohio (the School), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of City Day Community School, Montgomery County, Ohio, as of June 30, 2011, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Dave Yost

Dave Yost
Auditor of State

March 28, 2012

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, 2011. 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 2011 are as follows:

- Total net assets increased $96,813 in fiscal year 2011, which represents a 393% increase from the prior year.
- Total assets increased $95,697, which represents a 60% increase from the prior year.
- The operating loss reported for fiscal year 2011 ($381,819) was $29,335 less than the operating loss reported for fiscal year 2010 ($411,154) or a 7% decrease.

Using this Financial Report

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

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. This statement reports the School's net assets, however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2011 compared with fiscal year 2010.

Table 1
Net Assets

Assets:	**2011**	**2010**
Current Assets	$217,125	$124,658
Capital Assets, Net	37,578	34,348
Total Assets	254,703	159,006
Liabilities:		
Current Liabilities	120,160	134,351
Long-Term Liabilities	13,075	
Total Liabilities	133,235	134,351
Net Assets:		
Investment in Capital Assets(Net of Related Debt)	20,316	34,348
Restricted Net Assets	17,249	
Unrestricted	83,903	(9,693)
Total Net Assets	$121,468	$ 24,655

Total net assets of the School increased by $96,813 from those reported at June 30, 2010 due to increase in cash on hand at year end.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 compared with fiscal year 2010.

Table 2
Changes in Net Assets

Operating Revenues:	**2011**	**2010**
Foundation	$1,164,765	$993,346
Non Operating Revenues:		
Federal and State Grants	461,623	537,983
Miscellaneous Revenues	19,157	13,989
Interest Income	8	15
Total Revenues	1,645,553	1,545,333
Operating Expenses:		
Salaries	776,909	739,966
Fringe Benefits	175,725	174,816
Building Rental		97,660
Purchased Services	467,579	366,886
Materials and Supplies	51,322	1,144
Depreciation	18,604	17,570
Other Expenses	56,445	6,458
Non-Operating Expenses:		
Interest Expense	2,156	
Total Expenses	1,548,740	1,404,500
Change in Net Assets	96,813	140,833
Net Assets at Beginning of Year	24,655	(116,178)
Net Assets at End of Year	$ 121,468	$ 24,655

Operating revenue increased $171,419 during fiscal year 2011. The increase was the result of increased in enrollment between years.

Total expenses of the School reported for fiscal year 2011 increased by $144,240 compared to those reported for the previous fiscal year. The increases in expenses were due in part to increase in purchased services and material and supplies.

Debt

At June 30, 2011, the School has 17,262 in capitalized leases. See Notes 12 and 13 of the notes to the basic financial statements for more detailed information on the School's capitalized leases.

Capital Assets

At June 30, 2011, the School has $37,578 invested in capital assets net of accumulated depreciation. See Note 4 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Contacting the School

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

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CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current Assets:	
Cash	$131,643
Intergovernmental Receivables	85,482
Total Current Assets	217,125
Non-Current Assets:	
Capital Assets (Net of Accumulated Depreciation)	37,578
Total Assets	254,703
Liabilities:	
Current Liabilities:	
Accounts Payable	37,732
Accrued Wages Payable	74,931
Intergovernmental Payable	3,310
Capital Lease - Current	4,187
Total Current Liabilities	120,160
Non-Current Liabilities:	
Non-Current Portion of Long-Term Obligations	
Total Liabilities	120,160
Non-current Liabilities:	
Capital Lease - Non-current	13,075
Total Liabilities	133,235
Net Assets:	
Investment in Capital Assets (Net of Related Debt)	20,316
Restricted	17,249
Unrestricted	83,903
Total Net Assets	$121,468

See accompanying notes to the basic financial statements.

CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenues:	
State Foundation Payments	$1,164,765
Total Operating Revenues	1,164,765
Operating Expenses	
Salaries	776,909
Fringe Benefits	175,725
Purchased Services	467,579
Materials and Supplies	51,322
Depreciation	18,604
Miscellaneous	56,445
Total Operating Expenses	1,546,584
Operating Loss	(381,819)
Non-Operating Revenues (Expenses)	
Federal and State Grants	461,623
Miscellaneous	19,157
Interest Income	8
Interest Expense	(2,156)
Total Non-Operating Revenues (Expenses)	478,632
Change in Net Assets	96,813
Net Assets at Beginning of Year	24,655
Net Assets at End of Year	$121,468

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, 2011

Increase / Decrease in Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$1,161,676
Cash Payments to Suppliers for Goods and Services	(570,308)
Cash Payments to Employees for Services & Benefits	(976,050)
Net Cash Used in Operating Activities	(384,682)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants - Federal and State Grants	432,984
Cash Received from Miscellaneous Activities	19,157
Net Cash Provided by Noncapital Financing Activities	452,141
Cash Flows from Capital and Related Financing Activities:	
Equipment Purchases	(21,834)
Proceeds on Capital Lease	21,834
Principal paid on Capital Lease	(4,572)
Interest Paid on Capital Lease	(2,156)
Net Cash Used in Capital Financing Activities	(6,728)
Cash Flows from Investing Activities:	
Cash Received from Interest Earnings	8
Net Cash Provided by Investing Activities	8
Net Increase in Cash	60,739
Cash, Beginning of Year	70,904
Cash, End of Year	131,643
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(381,819)
Activities:	
Depreciation	18,604
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable Related to State Foundation	(3,089)
Increase in Accounts Payable	4,537
(Decrease) in Accrued Wages	(20,396)
(Decrease) in Intergovernmental Payable	(2,519)
Total Adjustments	(2,863)
Net Cash Used in Operating Activities	($384,682)

The School had outstanding Intergovernmental Receivables related to non-operating grants of 76,653 at June 30, 2011

See accompanying notes to the basic finanical statements.

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1. DESCRIPTION OF THE ENTITY

City Day Community School, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501I(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 sixty-nine (169) 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.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Associates (MDECA). MDECA is presented in Note 11 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation – Enterprise Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting

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

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

C. Budgetary Process

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

D. Cash

All monies 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 assets.

E. Estimates

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

F. Capital Assets and Depreciation

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

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

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 awarded under the above program for the 2011 fiscal year totaled $1,164,765.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled $115,973 at June 30, 2011.

J. Net Assets

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

Net Assets restricted for other purposes include resources restricted for required food service operations and federal and state grants restricted to expenditures for specified purposes.

The School applies restricted resources when expenses for purposes for which both restricted and unrestricted net assets are available.

3. RECEIVABLES

Receivables at June 30, 2011 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.

National Nutrition Program	$ 9,416
Title I	55,656
Title II-A	4,613
Special Education	143
Education Job	6,825
FY 2011 ODE FTE Adjustment	8,829
Total	$85,482

4. CAPITAL ASSETS (Continued)

A summary of the School's capital assets at June 30, 2011 follows:

	Balance 07/01/2010	Additions	Deletions	Balance 06/30/2011
Capital Assets:				
Furniture & Equipment	$212,983			$212,983
Food Service Equipment	17,712			17,712
Vehicles	2,250			2,250
Capitalized Leases	12,000	$21,834		33,834
Total Capital Assets	244,945	21,834		266,779
Less: Accumulated Depreciation	(210,597)	(18,604)		(229,201)
Capital Assets, Net	$ 34,348	$ 3,230	$ 0	$ 37,578

5. RISK MANAGEMENT

A. Property and Liability

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

B. Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2011. 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.

6. 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.

6. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $18,759, $20,464, and $17,926, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

B. State Teachers Retirement System

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

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

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

6. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were $72,488, $81,900, and $78,438. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011 all members of the Board of Trustees have elected Social Security. The Board's liability is 6.2% wages.

7. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

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 2011, 1.43 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 2011, 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, 2011, 2010, and 2009 were $4,718, $737, and $10,162, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

7. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,207, $1,217, and $1,344, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

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 2011, 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, 2011, 2010, and 2009 were $5,576, $6,300 and $6,012, respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

8. 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, 2011.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This review resulted in underpayment of state funding in the amount of $8,829 for fiscal year 2011. This amount has been included as an intergovernmental receivable on the accompanying financial statements.

9. PURCHASED SERVICES

For the fiscal period July 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors as follows:

9. PURCHASED SERVICES (Continued)

Professional Services	$125,318
Property Services	134,399
Meeting	726
Communication	21,318
Utilities	54,390
Food Services	83,635
Other	47,793
Total	$467,579

10. SPONSORSHIP AGREEMENT

On April 26, 2005, the School entered into a two-year (fiscal years 2006 and 2007) sponsorship contract with The Educational Resource Consultants of Ohio. On February 26, 2007, the School signed an agreement with this same sponsor effective until June 30, 2011. Sponsorship fees paid are reflected as “Purchased Services” in the Statement of Revenue, Expenses, and Change in Net Assets.

11. 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 $4,850 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

12. LONG TERM OBLIGATIONS

The changes in the School’s long-term obligations during fiscal year 2011 were as follows:

Long-Term Obligation	Amount Outstanding 6/30/010	Additions	Deletions	Amount Outstanding 6/30/11	Due In One Year
Capital Lease	$0	$21,834	$4,572	$17,262	$4,187

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

13. CAPITAL LEASE OBLIGATIONS

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

The following schedule summarizes the minimum principal payments due under this lease subsequent to June 30, 2011.

Years Ending December 31,	
2012	$ 5,400
2013	5,400
2014	5,400
2015	3,955
Total	20,155
Less: Amount representing interest	(2,893)
Total	$17,262

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 eight amendments to the lease extending the lease term to August 31, 2013 at a rate of $8,460 per month. The lease expense for the year ended June 30, 2011 was $101,640 for the land and for the facilities.

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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, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 28, 2012.

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 management, the Governing Board, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

March 28, 2012

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

FINDING NUMBER 2011-01

MATERIAL WEAKNESS

Governmental Accounting Standards Board Codification L20.109 provides that if a lease agreement is a capital lease following the criteria of this section and FASB Statement 13, the lease agreement should be capitalized.

Governmental Accounting Standards Board Statement No. 34 paragraph 34 states in part net assets should be reported as restricted when constraints placed on net asset use are either:

a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
b. Imposed by law through constitutional provisions or enabling legislation.

The following errors were noted on the financial statements:

- The School failed to report a capital lease for a copier, thus understating capital assets, capital leases, and depreciation expense, in the amounts of $21,834, $17,252, and $4,370.
- The School improperly classified restricted net assets related to the state and federal grants in the amount of $17,249, or 14.22% of total net assets, as unrestricted net assets.

The accompanying financial statements have been adjusted to reflect these items.

The School should implement procedures over the GAAP conversion process to verify that all accrual entries are properly identified and reported in the basic financial statements.

Official's Response:

Omission of Capital Lease Transaction

The failure to capitalize the subject lease referred to in this finding was simply an oversight on the part of the Treasurer. To prevent the reoccurrence of this condition in the future, all transactions involving the lease or purchase of items considered fixed assets in nature will be reviewed for treatment in accordance with proper accounting procedures. In addition to this procedure, the preparation of the fixed asset schedule supporting the capital assets reported on the statement of net assets at year end, will also include procedures to insure the proper treatment of transactions considered to be capital leases.

Improper Classification of Restricted Net Assets

In an effort to prevent the reoccurrence of this condition in the future we will utilize the template provided by the Auditor in their calculation of the subject restricted net asset balance at June 30, 2011 in this finding.

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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Governing Board:

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

Accordingly, we have performed the 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 procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on July 11, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

March 28, 2012

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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
MAY 10, 2012