



**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City Day Community School, Inc.
Montgomery County
318 South Main Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the accompanying balance sheet of the City Day Community School, Inc., Montgomery County, (the Community School), as of June 30, 2001, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Community School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City Day Community School, Inc., Montgomery County, as of June 30, 2001, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, during the year ended June 30, 2001, the Community School adopted Governmental Accounting Standards Board Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002 on our consideration of the Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

February 14, 2002

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**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2001**

ASSETS

Current Assets

| | |
|------------------------------|----------------|
| Cash and cash equivalents | \$200,529 |
| Intergovernmental Receivable | <u>170,118</u> |

Total Current Assets 370,647

Non-Current Assets

| | |
|------------------------------|----------------|
| Furniture and Equipment, Net | <u>144,971</u> |
|------------------------------|----------------|

Total Assets 515,618

LIABILITIES AND EQUITY

Current Liabilities

| | |
|----------------------------|---------------|
| Accounts Payable | 35,876 |
| Intergovernmental Payable | 13,892 |
| Accrued Wages and Benefits | <u>10,554</u> |

Total Current Liabilities 60,322

Long Term Liabilities

| | |
|------------------------------|---------------|
| Compensated Absences Payable | <u>21,599</u> |
|------------------------------|---------------|

Total Liabilities 81,921

Equity

| | |
|-----------------------------|----------------|
| Contributed Capital | 4,500 |
| Retained Earnings - Note 14 | <u>429,197</u> |

Total Liabilities and Equity \$515,618

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

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001**

| | |
|---|-------------------------|
| Operating Revenues | |
| Foundation Payments | \$1,110,863 |
| Disadvantaged Pupil Impact Aid | 276,512 |
| Other Operating Revenue | <u>11,567</u> |
| Total Operating Revenues | <u>1,398,942</u> |
| Operating Expenses | |
| Salaries | 752,927 |
| Fringe Benefits | 245,926 |
| Purchased Services | 607,425 |
| Materials and Supplies | 93,838 |
| Depreciation | 40,115 |
| Other Operating Expenses | <u>16,084</u> |
| Total Operating Expenses | <u>1,756,315</u> |
| Operating Loss | <u>(357,373)</u> |
| Non-Operating Revenues | |
| Federal and Other State Grants | <u>315,332</u> |
| Net Loss | (42,041) |
| Retained Earnings at Beginning of Year | <u>471,238</u> |
| Retained Earnings at End of Year | <u><u>\$429,197</u></u> |

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

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities

| | |
|---|---------------|
| Cash Received from State of Ohio | \$1,314,632 |
| Cash Payments to Suppliers for Goods and Services | (698,853) |
| Cash Payments to Employees for Services | (1,013,812) |
| Other Operating Revenue | <u>11,567</u> |

Net Cash Used For Operating Activities (386,466)

Cash Flows from Noncapital Financing Activities

Grants Received - State and Federal 313,218

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions (82,536)

Net Decrease in Cash and Cash Equivalents (155,784)

Cash and Cash Equivalents at Beginning of Year 356,313

Cash and Cash Equivalents at End of Year 200,529

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities**

Operating (Loss) (357,373)

**Adjustments to Reconcile Operating (Loss) to Net
Cash Used For Operating Activities**

Depreciation 40,115

Change in Assets and Liabilities

| | |
|--|---------------|
| Increase in Intergovernmental Receivable | (72,743) |
| Increase in Accounts Payable | 18,493 |
| Increase in Intergovernmental Payable | 3,024 |
| Decrease in Accrued Wages | (29,242) |
| Increase in Compensated Absences Payable | <u>11,260</u> |

Net Cash Used for Operating Activities (\$386,466)

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

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**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL AND REPORTING 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 four. 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 in 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 three-member Board of Governors which is comprised of the developers. 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 of Governors controls the School's one instructional facility staffed by five full time and three part time noncertified personnel, and eighteen certificated full time teaching personnel who provide services to approximately two hundred and forty students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City Day Community School, Inc. 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 after 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 is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and 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 balance sheet. Equity (i.e. net total assets) is segregated into contributed capital and retained earnings 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

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between City Day Community School, Inc. and its sponsor, Ohio Department of Education, does not prescribe a budgetary process for the School.

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 and cash equivalents" on the accompanying balance sheet.

E. Estimates

The preparation of the financial statements in conformity with general 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. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. The School did not capitalize any interest during the fiscal year.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) 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.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$100,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the 2001 school year totaled \$1,702,707.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments.

The entire amount of compensated absences is reported as a liability.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2001 are reported as accrued liabilities in the accompanying financial statements.

J. Contributed Capital

Contributed capital represents resources from private sources provided to the School that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed.

3. DEPOSITS AND INVESTMENTS

Deposits: At June 30, 2001, the carrying amount of the School's deposits was \$200,529 and the bank balance was \$250,014. Of the bank balance, \$100,000 was covered by federal depository insurance and \$150,014 was uninsured and uncollateralized.

4. RECEIVABLES

Receivables at June 30, 2001 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.

Intergovernmental Receivable:

| | |
|------------------------------------|------------------|
| State Foundation | \$72,743 |
| Title I | 79,344 |
| Title II | 928 |
| Drug Free School | 2,445 |
| Title VI | 1,855 |
| Title VI-R | <u>12,803</u> |
| Total Intergovernmental Receivable | <u>\$170,118</u> |

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2001:

| | |
|--------------------------------|------------------|
| Furniture and Equipment | \$173,564 |
| Food Service Equipment | 8,650 |
| Transportation Equipment | 7,000 |
| Leasehold Improvements | <u>9,411</u> |
| | 198,625 |
| Less: Accumulated Depreciation | <u>(53,654)</u> |
| Net Fixed Assets | <u>\$144,971</u> |

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School maintains insurance coverage for rental/theft, general liability and directors and officers liability in amounts which the founders feel is adequate.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly 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 80% of the monthly premium and the employee is responsible for the remaining 20%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current 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. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2001 was \$28,333; 86.3 percent has been contributed for the fiscal year 2001. The unpaid contribution for fiscal year 2001 amounted to \$3,894 and is recorded as a liability.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2001 was \$81,027, and 93.7 percent has been contributed for fiscal year 2001. The unpaid contribution amounted to \$5,097 for the fiscal year 2001, and is recorded as a liability.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. POST EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$26,044 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$19,832.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment, provided they have worked for the School at least 90 days. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 275 days. Upon retirement, payment is made for one-third of the total sick leave accumulation, up to a maximum accumulation of 150 days.

10. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. 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 requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2001.

B. Litigation

The School is party to legal proceedings. The School's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School.

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any, on City Day Community School is not presently determinable.

12. LEASES

The School leases a building and office facility under a noncancellable operating lease. The terms of this lease end August 31, 2003. Total lease payments were \$200,615 for the year ended June 30, 2001. The School has the option to renew the lease for an additional term of five (5) years with written request submitted within 90 days before the expiration of the initial term under this lease. The future minimum lease payments for this lease are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------------|
| 2002 | \$210,000 |
| 2003 | <u>35,000</u> |
| Total | <u><u>\$245,000</u></u> |

**CITY DAY COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. PURCHASED SERVICES

For the fiscal period July 1, 2000 through June 30, 2001, purchased service expenses were payments for services rendered by various vendors as follows:

| | |
|----------------------------------|------------------|
| Professional/Technical Services: | |
| Classroom Assistance | \$ 41,018 |
| Professional Development | 1,459 |
| Engineering Services | 1,011 |
| Legal Services | 3,000 |
| Health Services | 6,186 |
| Data Processing | 5,603 |
| Other | 54,575 |
| Property Services | 259,842 |
| Meeting Expenses | 1,064 |
| Communications | 11,664 |
| Utilities | 40,733 |
| Contracted Craft/Trade Services | 90,646 |
| Food Service | 89,782 |
| Other | <u>842</u> |
| Total | <u>\$607,425</u> |

14. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". The effect of the implementation of this statement on the opening retained earnings is as follows:

| | |
|---|------------------|
| Retained Earnings (previously reported) | \$392,018 |
| Restatement: | |
| Intergovernmental Receivable | <u>79,220</u> |
| Retained Earnings (restated July 1, 2000) | <u>\$471,238</u> |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City Day Community School, Inc.
Montgomery County
318 South Main Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the financial statements of the City Day Community School, Inc., Montgomery County, (the Community School), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 14, 2002, wherein we noted that the Community School implemented Governmental Accounting Standards Board Statement Number 33. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Community School in a separate letter dated February 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Community School in a separate letter dated February 14, 2002.

City Day Community School, Inc.
Montgomery County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and the Board of Governance and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 14, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY DAY COMMUNITY SCHOOL, INC.

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 2, 2002**