



Dave Yost • Auditor of State



**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of City Day Community School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Basis for Qualified Opinion***

We were unable to obtain sufficient audit evidence supporting the School's accounts payable. Given the impact of accounts payable on net position, we were also unable to obtain sufficient audit evidence on the School's net position.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of City Day Community School, Montgomery County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 29, 2015

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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 2014 are as follows:

- Total net position increased \$75,022 in fiscal year 2014.
- Total assets increased \$175,721, which represents a 172% increase from the prior year.
- The operating loss reported for fiscal year 2014 (\$218,852) was \$237,306 less than the operating loss reported for fiscal year 2013 (\$456,158) or a 52% 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 position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity.

**Statement of Net Position**

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

Table 1 provides a summary of the School's net position for fiscal year 2014 compared with fiscal year 2013.

<b>Table 1 Net Position</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Current Assets	\$209,849	\$89,163
Capital Assets, Net	67,740	12,705
Total Assets	277,589	101,868
 <b>Liabilities:</b>		
Current Liabilities	228,047	173,029
Long-Term Liabilities	49,423	3,742
Total Liabilities	277,470	176,771
		(Continued)

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Table 1  
Net Position  
(Continued)**

	<u>2014</u>	<u>2013</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	2,710	4,086
Restricted	18,317	56,539
Unrestricted	<u>(20,908)</u>	<u>(135,528)</u>
Total Net Position (deficit)	<u>\$119</u>	<u>(\$74,903)</u>

Total net position of the School increased by \$75,022 from those reported at June 30, 2013 due to an increase in cash on hand and new capital assets additions.

Total liabilities increased by \$100,699 from those reported at June 30, 2013.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 compared to fiscal year 2013.

**Table 2  
Changes in Net Position**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>		
Foundation	\$1,245,176	\$1,012,634
Casino	7,849	
<b>Non-Operating Revenues:</b>		
State and Federal Grants	274,862	330,036
Miscellaneous Revenues	17,690	15,710
Interest Earnings	0	60
Gain on Sale of Capital Assets	6,203	0
Total Revenues	<u>1,551,780</u>	<u>1,358,440</u>
<b>Operating Expenses:</b>		
Salaries	600,758	689,885
Fringe Benefits	173,253	215,533
Purchased Services	521,960	496,585
Materials and Supplies	115,456	27,233
Capital Outlay	11,947	5,694
Depreciation	14,361	8,967
Miscellaneous	34,142	24,895
<b>Non-Operating Expenses:</b>		
Interest Expense	4,881	1,164
Total Expenses	<u>1,476,758</u>	<u>1,469,956</u>
Change in Net Position	75,022	(111,516)
Net Position at Beginning of Year	<u>(74,903)</u>	<u>36,613</u>
Net Position at End of Year	<u>\$119</u>	<u>(\$74,903)</u>

Total revenues increased \$193,340 during fiscal year 2014. The increase was the result of increased enrollment between years.

Total expenses of the School reported for fiscal year 2014 increased by \$6,802 compared to those reported for the previous fiscal year. The increases in expenses were due in part to an increase in purchased services and material & supplies.

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Capital Assets**

The School has \$67,740 invested in capital assets net of accumulated depreciation. See Note 5 of the notes to the basic financial statements for more detailed information on the School's capital assets.

**Debt**

At June 30, 2014, the School has \$65,030 in capitalized leases. See Note 12 of the notes to the basic financial statements for more detailed information on the School's capitalized leases.

**Contacting the School**

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

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**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Assets:**

**Current Assets:**

Cash	\$134,329
Refund Receivable	\$12,299
Intergovernmental Receivable	63,221
Total Current Assets	<u>209,849</u>

**Non-Current Assets:**

Capital Assets, Net	67,740
Total Assets	<u>277,589</u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable	120,520
Accrued Wages Payable	87,230
Intergovernmental Payable	4,690
Capital Lease - Current	15,607
Total Current Liabilities	<u>228,047</u>

**Non-Current Liabilities:**

Capital Lease - Non-Current	49,423
Total Liabilities	<u>277,470</u>

**Net Position:**

Net Investment in Capital Assets	2,710
Restricted	18,317
Unrestricted	(20,908)
Total Net Position	<u><u>\$119</u></u>

*See accompanying notes to the basic financial statements.*

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Operating Revenues:</b>	
State Foundation Payments	\$1,245,176
Casino	7,849
Total Operating Revenues	<u>1,253,025</u>
<b>Operating Expenses:</b>	
Salaries	600,758
Fringe Benefits	173,253
Purchased Services	521,960
Materials and Supplies	115,456
Capital Outlay	11,947
Depreciation	14,361
Miscellaneous	34,142
Total Operating Expenses	<u>1,471,877</u>
Operating Loss	<u>(218,852)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal Grant Revenue	273,259
State Grant Revenue	1,603
Miscellaneous Revenue	17,690
Gain on Sale of Capital Assets	6,203
Interest Expenses	(4,881)
Total Non-Operating Revenues (Expenses)	<u>293,874</u>
Change in Net Position	75,022
Net Position, Beginning of Year	<u>(74,903)</u>
Net Position, End of Year	<u><u>\$119</u></u>

*See accompanying notes to the basic financial statements.*

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Increase (Decrease) in Cash:**

**Cash Flows from Operating Activities:**

Cash Received from State of Ohio	\$1,256,450
Cash Payments to Employees for Services and Benefits	(789,613)
Cash Payments to Suppliers for Goods and Services	(600,489)
Cash Payments for Other Operating Activities	<u>(38,850)</u>
Net Cash Used in Operating Activities	<u>(172,502)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Grants - Federal and State Grants	278,289
Cash Received from Miscellaneous Activities	<u>17,690</u>
Net Cash Provided by Noncapital Financing Activities	<u>295,979</u>

**Cash Flows from Capital and Related Financing Activities:**

Principal Paid on Capital Lease	(21,625)
Interest Paid on Capital Lease	(4,881)
Proceeds Received from Sale of Capital Assets	<u>14,843</u>
Net Cash Provided by Noncapital Financing Activities	<u>(11,663)</u>

Net Increase in Cash	111,814
Cash, Beginning of Year	<u>22,515</u>
Cash, End of Year	<u><u>\$134,329</u></u>

**Reconciliation of Operating Loss to Net Cash  
Used in Operating Activities:**

Operating Loss	(\$218,852)
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used in Operating Activities:**

Depreciation	14,361
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**Changes in Assets and Liabilities:**

Increase in Refund Receivable	(12,299)
Increase in Accounts Payable	44,166
Increase in Accrued Wages	6,196
Decrease in Intergovernmental Payable	<u>(6,074)</u>
Net Cash Used in Operating Activities	<u><u>(\$172,502)</u></u>

**Noncash Transactions:**

The School had outstanding intergovernmental receivables related to non-operating grants of \$63,221 at June 30, 2014.

*See accompanying notes to the basic financial statements.*

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**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**1. DESCRIPTION OF THE ENTITY**

City Day Community School, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically, the School's purpose is to be a model charter school serving children from kindergarten through grade eight. The School, which is part of the state's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The creation of the School was initially proposed to the Ohio Department of Education, the sponsor, by the developers of the School during May 1998. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of School operations on August 27, 1998.

The School operates under a seven-member Board of Governors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility staffed by three non-certified personnel and seventeen certificated teaching personnel who provide services to approximately one hundred fifty-five (155) students.

On April 26, 2005, the School entered into a two-year (fiscal years 2006 and 2007) sponsorship contract with The Educational Resource Consultants of Ohio. On February 26, 2007, the School signed an agreement with this same sponsor effective until June 30, 2011. On June 9, 2011, the School signed an agreement with the sponsor effective until June 30, 2012. On July 1, 2013 the School signed an agreement with the same sponsor effective until June 30, 2015.

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative 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.

**A. Basis of Presentation**

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

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 position. Net Position is segregated into net investment in capital assets, restricted components, and unrestricted components.

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

**C. Budgetary Process**

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

**D. Cash**

All monies received by the School are maintained in a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net position.

**E. Estimates**

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

**F. Capital Assets and Depreciation**

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

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

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts received under the above program for the 2014 fiscal year totaled \$1,245,176.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts received under the above program for the 2014 fiscal year totaled \$274,862.

**H. Compensated Absences**

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

**I. Accrued Liabilities**

Obligations incurred but unbilled prior to June 30, 2014 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled \$277,470 at June 30, 2014.

**J. Deferred Outflow / Deferred Inflows of Resources**

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the School reported no deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2014, the School had no items which were classified as deferred inflows of resources.

**K. Net Position**

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

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

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. DEPOSITS**

At June 30, 2014, the carrying amount of the School's deposits was \$134,329, and the bank balance was \$141,540. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

**4. RECEIVABLES**

Receivables at June 30, 2014 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Title I	\$18,627
Title I Sub A	22,094
Title II-A	18,007
Special Education	4,493
Total	\$63,221

**5. CAPITAL ASSETS**

A summary of the School's capital assets at June 30, 2014 follows:

	<b>Balance 07/01/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/2014</b>
<b>Capital Assets:</b>				
Furniture & Equipment	\$212,983			\$212,983
Food Service Equipment	17,712			17,712
Vehicles	2,250			2,250
Capitalized Leases	33,834	\$78,036	(\$33,834)	78,036
Total Capital Assets	266,779	78,036	(33,834)	310,981
Less: Accumulated Depreciation	(254,074)	(14,361)	25,194	(243,241)
Capital Assets, Net	\$12,705	\$63,675	(\$8,640)	\$67,740

**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 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 2014. 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, 2014  
(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. PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**Funding Policy**

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the pension obligation for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,937, \$25,657, and \$25,088, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. PENSION PLANS (Continued)**

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**

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. The statutory maximum employee contribution rate was increased 1% July 1, 2013, and will be increased 1% each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salary. The School was required to contribute 14%; 13% was the portion used to fund pension obligations.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$65,035, \$73,704, and \$80,050, respectively; 100 percent has been contributed for each fiscal year.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014 all members of the Board of Trustees have elected Social Security. The Board's liability is 6.2% of those wages.

**8. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The School's contributions for Medicare Part B the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,563, \$1,449, and \$1,481, respectively; which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2014, 2013 and 2012 were \$1,506, \$3,091, and \$4,543, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving benefits. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**B. State Teachers Retirement System**

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

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

**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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,003, \$5,670, and \$6,158, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**9. PURCHASED SERVICES**

For the fiscal year ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$129,680
Property Services	112,132
Meeting	1,227
Communication	11,303
Utilities	51,047
Food Services	93,426
Other	123,145
Total	<u>\$521,960</u>

**10. SPONSORSHIP AGREEMENT**

On April 26, 2005, the School entered into a sponsorship contract with The Educational Resource Consultants of Ohio. On February 26, 2007, the School signed an agreement with this same sponsor effective until June 30, 2011. On June 9, 2011, the School signed an agreement with the same sponsor effective until June 30, 2012. On July 1, 2013 the School signed an agreement with the same sponsor effective until June 30, 2015. Sponsorship fees paid in the amount of \$37,002 are reflected as "Purchased Services" in the Statement of Revenues, Expenses, and Changes in Net Position.

**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 \$5,107 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. CAPITAL LEASE / LONG-TERM OBLIGATIONS**

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

The changes in the School's long-term obligations during fiscal year 2014 were as follows:

	<b>Amount Outstanding 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2014</b>	<b>Due In One Year</b>
Capital Lease	\$8,619	\$78,036	\$21,625	\$65,030	\$15,607

The following summarizes the payments due under this lease subsequent to June 30, 2014:

2015	\$15,607
2016	15,607
2017	15,607
2018	15,607
2019	<u>2,602</u>
Total	<u>\$65,030</u>

**13. OPERATING LEASE**

On August 23, 1999, the School entered into a four year lease with BJ Building Co, LLC for classroom space at 320 South Main Street. The School has subsequently signed ten amendments to the lease extending the lease term to August 31, 2015 at a rate of \$6,720 per month. The lease expense for the year ended June 30, 2014 was \$80,540.

**14. CONTINGENCIES**

**A. Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review of fiscal year 2014 has been performed and the School was overpaid and owed \$3,425 as of June 30, 2014. This amount has been recorded as an intergovernmental payable.

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# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of City Day Community School, Montgomery County, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 29, 2015 wherein we noted that we were unable to obtain sufficient audit evidence supporting the School's accounts payable and ending net position.

### ***Internal Control Over Financial Reporting***

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 through 2014-007.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 29, 2015

**CITY DAY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness - Financial Statement Errors**

The School prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The School's financial statements contained an error related to the intergovernmental receivable calculation that was required to be adjusted. Intergovernmental receivable and the corresponding intergovernmental revenue was overstated by \$32,640. This error also caused restricted net position to be overstated by \$32,640.

Additionally, an opinion could not be rendered on the School's accounts payable line item, which is a material financial statement line item, due to the following issues related to accounts payable:

- We tested \$84,112 of the \$120,520 recorded balance of accounts payable. However, no information was provided to support that \$70,197 of the line item was a valid accounts payable. The remaining \$13,915 tested was related to two vendors and appeared to be an existing accounts payable at year-end; however, due to the nature of the support provided, the correct amount of the payable at year-end could not be determined for these two vendors.
- We performed a search for unrecorded accounts payable by reviewing 24 payments issued by the School in July and August 2014. There were 6 items (25%) totaling \$12,532 that should have been recorded as an accounts payable at June 30, 2014, but were not.
- We identified that the School occasionally paid invoices significantly after the invoice due date. Therefore, a comprehensive review for unrecorded accounts payable could not be performed.

Lack or failure of controls over the accounts and balances related to GAAP financial reporting could result in errors and irregularities that may go undetected and decrease the reliability of the School's financial reporting. Failure to pay all invoices in a timely manner could lead to an inability to identify all outstanding liabilities.

The School should establish and implement procedures to further enhance its controls over financial reporting to determine that the financial reporting reflects the activity of the School and thereby increases the reliability of the financial statements. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year annual report for obvious errors or omissions. Additionally, the School should pay all invoices and amounts due in a timely manner.

**Officials' Response:**

At the time the GAAP financial statements were prepared for submission to the AoS to be used as a basis for the FY 2014 audit in August 2014, the Title I budget reflected an allocation of \$130K. Subsequent to this point this allocation was reduced by \$32K to a revised amount of \$98K. The subject \$32,640 adjustment identified in this finding is the direct result of the decrease in the allocated amount for the City Day FY 2014 Title I budget. Management will review procedures utilized in the identification and reporting of its obligations considered to be valid accounts payable items. Particular emphasis will be placed on the period in which the goods and services are received. Only goods and services received within the reporting period will reported as valid accounts payable items. All transactions of this nature will be supported by corresponding valid vendor invoices.

The vendor invoices that fall into the third category above were delayed until funds became available. In most cases payment arrangements were made with these vendors.

**FINDING NUMBER 2014-002**

**Noncompliance/Finding for Recovery – Board Member Pay – Repaid Under Audit**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members." At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

**Ohio Rev. Code Section 3314.03(A)(11)(e)** states, in pertinent part, that the contract between a sponsor and governing authority of a community school will require the School to comply with the requirements of Chapter 102. and section 2921.42 of the Revised Code.

**Ohio Rev. Code Section 2921.42(A)(4)** states "no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected."

However, on May 28, 2014, the School's board members approved additional pay for temporary/emergency leadership because three board members temporarily filled in to provide administrative oversight and guidance to the School. These board members were approved to receive \$75 for each day they spent at the School.

Board member Sheila Ballard was compensated for attending subcommittee meetings for which there were no meeting minutes and for providing administrative oversight. Sheila Ballard's total fiscal year 2014 compensation was as follows:

<u>Check/Direct Deposit Number</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Signed By</u>
504045	7/8/2013	\$ 525.00	direct deposit
5667	10/5/2013	600.00	Bryan Richardson
504233	12/23/2013	375.00	direct deposit
504346	3/24/2014	525.00	direct deposit
504462	6/23/2014	1,200.00	direct deposit
	Total	<u>\$3,225.00</u>	

Sheila Ballard attended 18 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, she should have been compensated a total of \$1,350 (\$75 per meeting for 18 meetings) during fiscal year 2014. In that she received total compensation in the amount of \$3,225, she was overpaid by \$1,875.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Sheila Ballard, and in favor of City Day Community School, in the amount of \$1,875.

**FINDING NUMBER 2014-002  
(Continued)**

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

This issue has been referred to the Ohio Ethics Commission.

**FINDING NUMBER 2014-003**

**Noncompliance/Finding for Recovery – Board Member Pay – Repaid Under Audit**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members. At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

**Ohio Rev. Code Section 3314.03(A)(11)(e)** states, in pertinent part, that the contract between a sponsor and governing authority of a community school will require the School to comply with the requirements of Chapter 102, and section 2921.42 of the Revised Code.

**Ohio Rev. Code Section 2921.42(A)(4)** states "no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected."

However, on May 28, 2014, the School's board members approved additional pay for temporary/emergency leadership because three board members temporarily filled in to provide administrative oversight and guidance to the School. These board members were approved to receive \$75 for each day they spent at the School.

Board member Darlene Jones was compensated for attending subcommittee meetings for which there were no meeting minutes and for providing administrative oversight. Darlene Jones' total fiscal year 2014 compensation was as follows:

**FINDING NUMBER 2014-003**  
**(Continued)**

<u>Check Number</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Signed By</u>
5664	10/7/2013	\$525.00	Bryan Richardson
5730	12/23/2013	225.00	Bryan Richardson
5795	3/24/2014	450.00	Bryan Richardson
5856	6/23/2014	1,275.00	Sheila Ballard
	Total	<u>\$2,475.00</u>	

Darlene Jones attended 15 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, she should have been compensated a total of \$1,125 (\$75 per meeting for 15 meetings) during fiscal year 2014. In that she received total compensation in the amount of \$2,475, she was overpaid by \$1,350.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Darlene Jones, and in favor of City Day Community School, in the amount of \$1,350.

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

This issue has been referred to the Ohio Ethics Commission.

**FINDING NUMBER 2014-004**

**Noncompliance/Finding for Recovery – Board Member Pay – Repaid Under Audit**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members. At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

**Ohio Rev. Code Section 3314.03(A)(11)(e)** states, in pertinent part, that the contract between a sponsor and governing authority of a community school will require the School to comply with the requirements of Chapter 102. and section 2921.42 of the Revised Code.

**Ohio Rev. Code Section 2921.42(A)(4)** states "no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected."

**FINDING NUMBER 2014-004  
 (Continued)**

However, on May 28, 2014, the School's board members approved additional pay for temporary/emergency leadership because three board members temporarily filled in to provide administrative oversight and guidance to the School. These board members were approved to receive \$75 for each day they spent at the School.

Board member Robin Gales was compensated for attending subcommittee meetings for which there were no meeting minutes and for providing administrative oversight. Robin Gales' fiscal year 2014 compensation was as follows:

<b>Check Number</b>	<b>Payment Date</b>	<b>Amount Paid</b>	<b>Signed By</b>
5602	7/8/2013	\$ 300.00	Shonise Carr
5663	10/7/2013	375.00	Bryan Richardson
5728	12/23/2013	75.00	Bryan Richardson
5794	3/24/2014	225.00	Bryan Richardson
5855	6/23/2014	900.00	Sheila Ballard
	Total	<u>\$1,875.00</u>	

Robin Gales attended 16 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, she should have been compensated a total of \$1,200 (\$75 per meeting for 16 meetings) during fiscal year 2014. In that she received total compensation in the amount of \$1,875, she was overpaid by \$675.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Robin Gales, and in favor of City Day Community School, in the amount of \$675.

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

This issue has been referred to the Ohio Ethics Commission.

**FINDING NUMBER 2014-005**

**Noncompliance/Finding for Recovery – Board Member Pay – Repaid Under Audit**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members. At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

**FINDING NUMBER 2014-005**  
**(Continued)**

Board member Deborah Styles was compensated for attending subcommittee meetings for which there were no meeting minutes. Deborah Styles' total fiscal year 2014 compensation was as follows:

<u>Check/Direct Deposit Number</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Signed By</u>
504059	7/8/2013	\$ 300.00	direct deposit
5680	10/5/2013	225.00	Bryan Richardson
504249	12/23/2013	75.00	direct deposit
504361	3/24/2014	225.00	direct deposit
504476	6/23/2014	525.00	direct deposit
	Total	<u>\$1,350.00</u>	

Deborah Styles attended 15 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, she should have been compensated a total of \$1,125 (\$75 per meeting for 15 meetings) during fiscal year 2014. In that she received total compensation in the amount of \$1,350, she was overpaid by \$225.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Deborah Styles, and in favor of City Day Community School, in the amount of \$225.

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

**FINDING NUMBER 2014-006**

**Noncompliance/Finding for Recovery – Board Member Pay – Repaid Under Audit**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members. At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

Board member Renee Walker was compensated for attending subcommittee meetings for which there were no meeting minutes. Renee Walker's total fiscal year 2014 compensation was as follows:

**FINDING NUMBER 2014-006  
 (Continued)**

<u>Check Number</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Signed By</u>
5603	7/8/2013	\$ 300.00	Shonise Carr
5665	10/7/2013	225.00	Bryan Richardson
5731	12/23/2013	150.00	Bryan Richardson
5796	3/24/2014	75.00	Bryan Richardson
5858	6/23/2014	525.00	Sheila Ballard
	Total	<u>\$1,275.00</u>	

Renee Walker attended 15 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, she should have been compensated a total of \$1,125 (\$75 per meeting for 15 meetings) during fiscal year 2014. In that she received total compensation in the amount of \$1,275, she was overpaid by \$150.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Renee Walker, and in favor of City Day Community School, in the amount of \$150.

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

**FINDING NUMBER 2014-007 – Repaid Under Audit**

**Noncompliance/Finding for Recovery – Board Member Pay**

**Ohio Rev. Code Section 3314.02(E)(4)** states "the governing authority of a start-up community school may provide by resolution for the compensation of its members. At its April 13, 2011 board meeting, the School's board approved board member pay at \$75 per meeting effective July 1, 2011.

**Ohio Rev. Code Section 121.22(B)(2)** defines a "meeting" as "any prearranged discussion of the public business of the public body by a majority of its members." In this definition, the term public body includes any committee or subcommittee.

**Ohio Rev. Code Section 121.22(C)** states "all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection." The School's board members held subcommittee meetings and were compensated for attending such meetings. However, because the Board, as a public body, must comply with the above code sections, which would include any subcommittee of the board, there must be minutes of each meeting for which board members are entitled to be paid. There were no minutes prepared for such meetings to indicate what members were in attendance.

Board member Eddie Doster was compensated for attending subcommittee meetings for which there were no meeting minutes. Eddie Doster's total fiscal year 2014 compensation was as follows:

<u>Check Number</u>	<u>Payment Date</u>	<u>Amount Paid</u>	<u>Signed By</u>
5601	7/8/2013	\$ 150.00	Shonise Carr
5662	10/7/2013	225.00	Bryan Richardson
5727	12/23/2013	75.00	Bryan Richardson
5793	3/24/2014	150.00	Bryan Richardson
5854	6/23/2014	450.00	Sheila Ballard
	Total	<u>\$1,050.00</u>	

**FINDING NUMBER 2014-007 – Repaid Under Audit  
(Continued)**

Eddie Doster attended 13 regular and special board meetings during fiscal year 2014 and the three months preceding. As a result, he should have been compensated a total of \$975 (\$75 per meeting for 13 meetings) during fiscal year 2014. In that he received total compensation in the amount of \$1,050, he was overpaid by \$75.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against board member Eddie Doster, and in favor of City Day Community School, in the amount of \$75.

Repayment was made via check #026472609 by Treasurer Jesse Hemphill on July 10, 2015, totaling \$4,350 to cover findings 2014-002 through 2014-007.

**Officials' Response to Findings 2014-002 through 2014-007:**

After consulting with the School's legal counsel, the decision has been made to reimburse the School for the overpayment of Board member compensation identified above. The Governing Authority has taken corrective action to ensure that all compensation paid to the Governing Board is in accordance with the Ohio Revised Code, Board policy and the School's sponsorship agreement.



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Governing Board:

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

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

1. In our report dated March 28, 2012, we noted the Board adopted an anti-harassment policy on July 11, 2011. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the July 11, 2011 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events;

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 29, 2015

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# Dave Yost • Auditor of State

**CITY DAY COMMUNITY SCHOOL DISTRICT**

**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  
JULY 28, 2015**