

**CITY DAY
COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2017**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Governing Board
City Day Community School
320 South Main Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of the City Day Community School, Montgomery County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City Day Community School is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 26, 2018

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
City Day Community School
Dayton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the City Day Community School, Montgomery County, Ohio, (the School) as of and for the year ended June 30, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 29, 2017

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The discussion and analysis of the City Day Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

- In total, net position decreased \$55,597 which represents a 3 percent decrease from 2016. This decrease is partly due to changes in GASB 68 pension accruals.
- Total assets increased \$10,154, which represents an 8 percent increase from 2016. This was primarily due to an increase in receivables from the previous year based on operations.
- Liabilities increased \$167,091, which represents a, 8.85 increase from 2016. The increase in liabilities is a direct result of changes in the net pension liability from implementing GASB 68, offset by decrease in short term financing.

Using this Financial Report

This report consists of three parts, the required supplemental information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2017. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Table 1 provides a summary of the School's net position for fiscal years 2017 and 2016.

**(Table 1)
Statement of Net Position**

	2017	2016
Assets		
Current Assets	\$ 108,342	\$ 82,833
Capital Assets, Net	31,147	46,502
Total Assets	139,489	129,335
Deferred Outflows		
Pension Requirements	482,613	371,413
Liabilities		
Current Liabilities	164,102	128,585
Long Term Liabilities	1,891,185	1,759,611
Total Liabilities	2,055,287	1,888,196
Deferred Inflows		
Pension Requirements	298,336	288,476
Net Position		
Investment in Capital Assets	13,000	12,686
Restricted	7,286	1,656
Unrestricted	(1,751,807)	(1,690,266)
Total Net Position	\$ (1,731,521)	\$(1,675,924)

In total, net position decreased \$55,597 which represents a 3 percent decrease from 2016. This decrease is due to changes in net pension liability. Total assets and Deferred Outflows increased \$121,354, which represents an 24 percent increase from 2016. This was primarily due to a decrease in cash and increase in pension and in receivables from the previous year from operations. Liabilities and deferred inflows increased \$176,951 which represents an 8.13 percent increase from 2016. The increase in liabilities is a direct result of changes in the net pension liability, offset by decrease in short term financing.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Statement of Revenues, Expenses, and Changes in Net Position

Table 2 shows the changes in net position for fiscal years 2017 and 2016, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**Table 2
Changes in Net Position**

	2017	2016
<u>Operating Revenues</u>		
Foundation	\$ 1,049,621	\$ 1,076,494
Miscellaneous Operating	45,098	40,903
Other State Aid	30,419	7,424
<u>Non-Operating Revenues</u>		
Grants	362,724	333,773
Total Revenues	1,487,862	1,458,594
 <u>Operating Expenses</u>		
Salaries	575,531	625,383
Fringe Benefits	282,734	144,545
Purchased Services	590,532	541,873
Materials and Supplies	41,313	24,052
Depreciation	20,685	20,975
Other	29,255	52,654
<u>Non-Operating Expenses</u>		
Interest and Fiscal Charges	3,409	-
Total Expenses	1,543,459	1,409,482
 Total Increase (Decrease) in Net Position	 \$ (55,597)	 \$ 49,112

The primary reason for the increase in overall revenues from 2016 was the increase in federal grants awarded to the School. Likewise, the School's expenses increased due to reimbursement of expenditures made by the School. The increase in total expenses significantly exceeded the increase in revenue due to the net pension liability recorded in the current year as "Purchased Services: Salaries and Benefits" (see Notes to the Basic Financial Statements, Note 15).

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

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

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

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

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

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense, under GASB 68, the 2017 Statements report pension expense of \$128,613.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one-year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets

At the end of fiscal year 2017, the School has \$31,147 invested in capital assets.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Debt

At June 30, 2017, the School has \$18,147 in capital leases. See Note 13 for additional details.

Current Financial Issues

The City Day Community School received revenue for 135 students in 2017 and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$7,978 in fiscal year 2017. The School receives additional revenues from grant subsidies.

On July 1, 2016, the School contracted with Educational Resource Consultants of Ohio (ERCO) as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. ERCO charged 3 percent of the State revenues for fiscal year 2017.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Brian G. Adams, Fiscal Officer for City Day Community School, 65 E. Wilson Bridge Road, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 24,600
Accounts Receivable	660
Intergovernmental Receivable	76,887
Prepays	<u>6,195</u>
Total Current Assets	<u>108,342</u>

Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net	<u>31,147</u>
Total Assets	<u>139,489</u>

Deferred Outflows

Pension Requirements	<u>482,613</u>
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Liabilities

Current Liabilities:

Accounts Payable	47,300
Accrued Wages and Benefits	79,435
Intergovernmental Payable	21,696
Capital Leases, due within than one year	<u>15,671</u>
Total Current Liabilities	<u>164,102</u>

Long-Term Liabilities:

Capital Leases, due within more than one year	2,476
Net Pension Liability	<u>1,888,709</u>
Total Long-Term Liabilities	<u>1,891,185</u>
Total Liabilities	<u>2,055,287</u>

Deferred Inflows

Pension Requirements	<u>298,336</u>
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Net Position

Net Investment In Capital Assets	13,000
Restricted for Grants	7,286
Unrestricted	<u>(1,751,807)</u>
Total Net Position	<u>\$(1,731,521)</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, 2017**

<u>Operating Revenues</u>	
Foundation	\$ 1,049,621
Casino Aid	3,421
Facilities Aid	26,998
Miscellaneous Operating Revenue	45,098
Total Operating Revenues	<u>1,125,138</u>
 <u>Operating Expenses</u>	
Salaries	575,531
Fringe Benefits	282,734
Purchased Services	590,532
Materials and Supplies	41,313
Depreciation	20,685
Other	29,255
Total Operating Expenses	<u>1,540,050</u>
Operating Loss	(414,912)
 <u>Non-Operating Revenues (Expenses)</u>	
Interest and Fiscal Charges	(3,409)
Grants	362,724
Total Non-Operating Revenues (Expenses)	<u>359,315</u>
Change in Net Position	(55,597)
Net Position Beginning of Year	<u>(1,675,924)</u>
Net Position End of Year	<u><u>\$(1,731,521)</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, 2017**

Cash Flows from Operating Activities

Cash Received from State	\$1,088,413
Cash Received from Other Operating Sources	45,098
Cash Payments to Employees for Services	(564,980)
Cash Payments for Employee Benefits	(228,656)
Cash Payments for Goods and Services	(628,248)
Other Cash Payments	(29,255)
Net Cash Used in Operating Activities	<u>(317,628)</u>

Cash Flows from Noncapital Financing Activities

Grants Received	320,541
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Cash Flows from Capital and Related Financing Activities

Principal Payments-Capital Leases	(15,669)
Interest and Fiscal Charges Paid	(3,409)
Cash Payments for Capital Asset Purchases	(5,330)
Net Cash Used in Financing Activities	<u>(24,408)</u>

Net Decrease in Cash and Cash Equivalents	(21,495)
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Cash and Cash Equivalents Beginning of Year	<u>46,095</u>
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Cash and Cash Equivalents End of Year	<u><u>\$ 24,600</u></u>
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**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating Gain (Loss)	\$ (414,912)
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Adjustments:

Depreciation	20,685
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Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:

Accounts Receivable	(660)
Prepaid Items	4,212
Accounts Payable	4,257
Accrued Wages and Benefits	10,500
Intergovernmental Payable	12,323
Net Pension Liability	147,307
Deferred Outflows	(111,200)
Deferred Inflows	9,860
Net Cash Used in Operating Activities	<u><u>\$ (317,628)</u></u>

See accompanying notes to the basic financial statements

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**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

City Day Community School (the School) is a state 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. 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.

The School signed a contract with Educational Resource Center of Ohio (Sponsor), to operate for the period of July 1, 2016 through June 30, 2017, which can be renewed on an annual basis.

The School operates under a five-member Board of Governors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 five non-certified personnel and twenty-nine certificated teaching personnel who provide services to approximately one hundred thirty-five (135) students.

The School participates in one jointly governed organization known as Metropolitan Educational Technology Association (Meta Solutions). META solutions is presented in Note 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 more significant of the School's accounting policies are described below.

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 change in Net Position, financial position and cash flows.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. 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) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2017. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, which are reflected under "Foundation", "Casino Aid", and "Facilities Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Intergovernmental Revenues (Continued)

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions 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 first 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 awarded under the above programs for the 2017 school year totaled \$1,442,764.

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 acquisition values as of the dates received. The School maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment, food service equipment, vehicles, and capital leases are computed using the straight-line method over the estimated useful life of three to seven years. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. The School does not have any infrastructure.

G. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets deferred outflows of resources and liabilities deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Position

Net position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position funds are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State Aid, Facility Aid, and Casino Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Pensions

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position Note 8.

L. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used.

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all School deposits was \$24,600, and its bank balance of \$28,755. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, all of the bank balance was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

4. RECEIVABLES

The School has recorded "Intergovernmental Receivable" in the amount of \$76,887 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2017. Accounts Receivable of \$660 was refunds due the School.

5. PAYABLES

Accounts Payable consists of obligations totaling \$47,300 at June 30, 2017, incurred during the normal course of conducting operations. Intergovernmental payable totaling \$21,696 at June 30, 2017 includes \$8,373, which is the amount owed to ODE as a result of the 2017 FTE review performed.

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains insurance coverage through Erie Insurance Company for rental/theft; general liability and directors' and officers' liability in amounts that are 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.

Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2017. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

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 30%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

7. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were \$79,435 at June 30, 2017 which represents wages, with associated benefits, earned and not paid at June 30, 2017 for certain School teachers paid over a 12 month period.

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability (continued)

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

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

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

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

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS) (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 2 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School's contractually required contribution to SERS was \$15,219 for fiscal year 2017.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description - Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**CITY DAY COMMUNITY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS) (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School's contractually required contribution to STRS was \$67,427 for fiscal year 2017.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 1,640,797	\$ 247,912	\$ 1,888,709
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00490185%	0.00338720%	
Prior Measurement Date	<u>0.00528082%</u>	<u>0.00494100%</u>	
Change in Proportionate Share	<u>-0.00037897%</u>	<u>-0.00155380%</u>	
Pension Expense	\$ 135,104	\$ (6,491)	\$ 128,613

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 66,295	\$ 3,344	\$ 69,639
Net Differences between Projected and Actual Earnings on Pension Plan Investments	136,231	20,450	156,681
Changes in Assumptions	0	16,550	16,550
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	116,169	40,928	157,097
School Contributions Subsequent to the Measurement Date	67,427	15,219	82,646
Total Deferred Outflows of Resources	<u>\$ 386,122</u>	<u>\$ 96,491</u>	<u>\$ 482,613</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	\$ 85,025	\$ 77,118	\$ 162,143
Changes in Employer Proportionate Share of Net Pension Liability	72,559	63,634	136,193
Total Deferred Inflows of Resources	<u>\$ 157,584</u>	<u>\$ 140,752</u>	<u>\$ 298,336</u>

\$82,646 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 25,426	\$ (30,059)	\$ (4,633)
2019	25,424	(30,070)	(4,646)
2020	77,706	(5,231)	72,475
2021	32,555	5,880	38,435
	<u>\$ 161,111</u>	<u>\$ (59,480)</u>	<u>\$ 101,631</u>

E. Actuarial Assumptions - SERS

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

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8. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions - SERS

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increase, including Inflation	3.5 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50%
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

F. Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's Proportionate Share of the Net Pension Liability	\$ 328,220	\$ 247,912	\$ 180,691

H. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Assest Class</u>	<u>Target Allocation</u>		<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	31.00	%	8.00%
International Equity	26.00		7.85
Alternatives	14.00		8.00
Fixed Income	18.00		3.75
Real Estate	10.00		6.75
Liquidity Reserves	1.00		3.00
Total	<u>100.00</u>	<u>%</u>	<u>7.61%</u>

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

I. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	\$ 2,180,486	\$ 1,640,797	\$ 1,185,538

K. *Changes Between Measurement Date and Report Date* In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School's net pension liability is expected to be significant.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School's surcharge obligation was \$ 1,024.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$1,024, \$1,024, and \$1,672, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016, and 2015, STRS did not allocate any employer contributions to post-employment health care, therefore, the School did not contribute to health care in the past three years.

**CITY DAY COMMUNITY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Full Time Equivalency

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017 and determined the School owed ODE \$ 8,373. This amount is reported as an intergovernmental payable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not material.

C. Litigation

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

11. FEDERAL TAX STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

12. SPONSORSHIP FEES

The School contracted with Educational Resource Center of Ohio (ERCO) as its sponsor effective July 1, 2016. ERCO was paid three percent (3%) for the fiscal year ended June 30, 2017. Total fees for fiscal year 2017 were \$31,494. The Sponsor provides oversight, monitoring, and technical assistance for the School.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

13. CAPITAL LEASE/LONG TERM OBLIGATIONS

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

	Principal			Principal	Amounts
	Outstanding			Outstanding	Due Within
	<u>6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2017</u>	<u>one year</u>
Capital Leases	\$ 33,816	\$ -	\$ (15,669)	\$ 18,147	\$ 15,671
Net Pension Liability					
SERS	1,459,464	181,333	-	1,640,797	
STRS	<u>281,938</u>	<u>-</u>	<u>(34,026)</u>	<u>247,912</u>	
Total Net Pension Liability	<u>1,741,402</u>	<u>181,333</u>	<u>(34,026)</u>	<u>1,888,709</u>	
Total Long-Term Liabilities	<u>\$1,775,218</u>	<u>\$181,333</u>	<u>\$ (49,695)</u>	<u>\$1,906,856</u>	<u>\$ 15,671</u>

The following summarizes the minimum principal payments due under this lease subsequent to June 30, 2017:

2018	\$ 15,671
2019	<u>2,476</u>
	<u>\$ 18,147</u>

14. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the School implemented GASB Statement No. 77 "Tax Abatement Disclosures" which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented GASB Statement No. 78 "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" which amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented GASB Statement No. 80 "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14" which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the School.

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

15. PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$	291,375
Property Services		143,400
Travel and Professional Development		5,036
Communications		11,002
Utilities		58,174
Trade Services		79,935
Transportation		1,610
<hr/>		
Total	\$	590,532

16. JOINTLY GOVERNED ORGANIZATIONS

The school is party to a computer consortium, Metropolitan Educational Technology Association. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

17. CAPITAL ASSETS AND DEPRECIATION

The summary of capital assets at June 30, 2017 follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
Capital Assets Being Depreciated:				
Furniture & Equipment	\$ 233,044	\$ 5,330	\$ -	\$ 238,374
Food Service Equipment	17,712	-	-	17,712
Vehicles	2,250	-	-	2,250
Capitalized Leases	78,036	-	-	78,036
Total Capital Assets Being Depreciated	<hr/> 331,042	5,330	-	336,372
Less Accumulated Depreciation:	(284,540)	(20,685)	-	(305,225)
Net Total Capital Assets	<hr/> \$ 46,502	\$ (15,355)	\$ -	<hr/> \$ 31,147

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

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School's Proportion of the Net Pension Liability	0.00490185%	0.00528082%	0.00460359%	0.00460359%
School's Proportionate Share of the Net Pension Liability	\$ 1,640,797	\$ 1,459,464	\$ 1,119,752	\$ 1,333,842
School's Covered Payroll	\$ 515,771	\$ 550,964	\$ 506,538	\$ 566,954
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.12%	264.89%	221.05%	235.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
School's Proportion of the Net Pension Liability	0.00338720%	0.00494100%	0.00358200%	0.00358200%
School's Proportionate Share of the Net Pension Liability	\$ 247,912	\$ 281,938	\$ 181,283	\$ 213,010
School's Covered Payroll	\$ 105,193	\$ 158,005	\$ 105,130	\$ 195,853
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	178.44%	172.44%	108.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior year-end.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

School Teachers Retirement System (STRS)

Changes of Benefit Terms: None.

Changes of Assumptions: None. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 67,427	\$ 72,208	\$ 77,135	\$ 65,850	\$ 73,704	\$ 80,050	\$ 72,488	\$ 81,900	\$ 78,438	\$ 74,228
Contributions in Relation to the Contractually Required Contribution	(67,427)	(72,208)	(77,135)	(65,850)	(73,704)	(80,050)	(72,488)	(81,900)	(78,438)	(74,228)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$ 481,621	\$ 515,771	\$ 550,964	\$ 506,538	\$ 566,954	\$ 615,769	\$ 557,600	\$ 630,000	\$ 603,369	\$ 570,985
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)										
Contractually Required Contribution	\$ 15,219	\$ 14,727	\$ 20,825	\$ 14,571	\$ 27,106	\$ 26,569	\$ 19,966	\$ 21,681	\$ 19,270	\$ 19,441
Contributions in Relation to the Contractually Required Contribution	(15,219)	(14,727)	(20,825)	(14,571)	(27,106)	(26,569)	(19,966)	(21,681)	(19,270)	(19,441)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$ 108,707	\$ 105,193	\$ 158,005	\$ 105,130	\$ 195,853	\$ 197,539	\$ 158,839	\$ 160,126	\$ 195,833	\$ 197,974
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
City Day Community School
Dayton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the City Day Community School, Montgomery County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 29, 2017

**CITY DAY COMMUNITY SCHOOL
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2017**

The prior audit report, as of June 30, 2016, included no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Directors
City Day Community School
Dayton, Ohio

To the Governing Board:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the City Day Community School (the School), Montgomery County, Ohio, has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. 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 the report dated March 28, 2012, we noted the Board adopted an anti-harassment policy on July 11, 2011. However, the policy did not include all matters required by Ohio Revised Code Section 3313.666.
2. The Board amended the policy on August 12, 2015. We inspected the amended policy, noting it still does not include the following requirements listed in Ohio Revised Code Section 3313.666.
 - a. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666, as of the latest amendment. We identified that language related to dating violence was not included in the latest policy.
 - b. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report; and
 - c. A requirement that the School administration semi-annually provide the President of the Board with a written summary of all reported incidents and post the summary on its web site. If the School has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. Section 1232g, as amended.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. 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 to assist the Board in evaluating whether City Day Community School has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666 and should not be used by anyone other than these specified parties.

**James G. Zupka,
CPA, President**

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2018.01.31 17:36:34 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 29, 2017

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Dave Yost • Auditor of State

CITY DAY COMMUNITY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2018**