



Dave Yost • Auditor of State

**PACE HIGH SCHOOL
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pace High School
Hamilton County
1601 California Avenue
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Pace High School, Hamilton County, Ohio (the School), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pace High School, Hamilton County, Ohio, as of June 30, 2009 and 2008, and the respective changes in financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As described in Note 12, the School has an operating loss of (\$199,837) for the year ended June 30, 2009, and unrestricted net asset deficit of (\$407,353) at June 30, 2009, that raise substantial doubt about its ability to continue as a going concern. Note 12 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 24, 2011

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The discussion and analysis of the P.A.C.E. High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal ended June 30, 2009. The intent of this discussion and analysis is to look at the financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- Total assets increased \$64,219 from June 30, 2008 to June 30, 2009. The increase was due primarily to expense-saving measures enacted by School management.
- Net assets at June 30, 2009 were (\$378,389); the change in net assets was \$ 164,837, representing a reduction in the negative net asset balance from the prior year.
- Total Assets were \$201,203 at June 30, 2009. Cash comprised \$58,172 of this amount.
- Liabilities were \$579,592 at June 30, 2009. This balance mainly represents loans from the School superintendent to the School.
- Liabilities decreased by \$100,618, which was due to the timing of payments and a decrease in accrued wages and benefits.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statement, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets, answers the question, "How did we do financially during 2009?"

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HAMILTON COUNTY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities, 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.

Table 1 provides a summary of the School's net assets for fiscal years 2009, 2008, and 2007.

**Table 1
Net Assets**

	2009	2008	2007
Assets			
Current Assets	\$ 155,572	\$ 53,845	\$ 77,841
Other Assets	<u>\$ 45,631</u>	<u>\$ 83,139</u>	<u>\$ 120,647</u>
Total Assets	<u>\$ 201,203</u>	<u>\$ 136,984</u>	<u>\$ 198,488</u>
Liabilities			
Current Liabilities	\$ 98,911	\$ 208,826	\$ 336,369
Long Term Liabilities	<u>\$ 480,681</u>	<u>\$ 471,384</u>	
Total Liabilities	<u>\$ 579,592</u>	<u>\$ 680,210</u>	<u>\$ 336,369</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	<u>\$ 28,964</u>	\$ 66,472	\$ 103,980
Unrestricted	<u>\$ (407,353)</u>	<u>\$ (609,698)</u>	<u>\$ (241,861)</u>
Total Net Assets	<u>\$ (378,389)</u>	<u>\$ (543,226)</u>	<u>\$ (137,881)</u>

Cash increased from 2008 to 2009 by \$17,026 due to a reduction in expenses and the resulted positive cash flow. Prepaid items increased \$84,701 due to the timing of payments.

Capital assets decreased to \$ 28,964 due to the depreciation of capital assets.

Current liabilities decreased \$109,915 due to the timing of payments and a decrease in accrued wages due to reduced payroll expense.

The net asset balance increased \$ 164,837 due to increases in cash brought about by a reduction in expenses of \$ 671,421 over the prior year.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Table 2 provides a summary of the School's change in net assets for 2009, 2008, and 2007 as well as a listing of revenues and expenses.

**Table 2
Change in Net Assets**

	2009	2008	2007
Operating Revenues			
Foundation Payments	\$ 2,021,854	\$ 2,189,061	\$ 1,763,850
State Special Education	\$ 199,897	\$ 216,793	\$ 232,775
Total Operating Revenue	\$ 2,221,751	\$ 2,405,854	\$ 1,996,625
Non-Operating Revenues			
Federal and State Grants	\$ 269,538	\$ 270,254	\$ 547,690
Miscellaneous Income	\$ 95,136	\$ 11,556	\$ 4,266
Total Revenues	\$ 2,586,425	\$ 2,687,664	\$ 2,548,581
Operating Expenses			
Salaries	\$ 1,046,523	\$ 1,360,745	\$ 1,470,588
Fringe Benefits	\$ 320,955	\$ 438,782	\$ 442,446
Purchased Services	\$ 815,484	\$ 1,041,697	\$ 886,545
Materials and Supplies	\$ 35,467	\$ 84,019	\$ 164,756
Other Expenses	\$ 173,846	\$ 167,031	\$ 92,778
Capital Outlay	\$ 29,313	\$ 735	\$ 120
Total Operating Expenses	\$ 2,421,588	\$ 3,093,009	\$ 3,057,233
Change in Net Assets	\$ 164,837	\$ (405,345)	\$ (508,652)
Beginning Net Assets	\$ (543,226)	\$ (137,881)	\$ 370,771
Ending Net Assets	\$ (378,389)	\$ (543,226)	\$ (137,881)
	=====	=====	=====

P.A.C.E. had a budget of \$2,624,000 in revenue for FY 2009. The school made 99% of the revenue budget in FY2009.

The budget for expenses was \$2,330,000. Actual expenditures exceeded budgeted by \$91,588.

Revenues decreased from 2008 to 2009 by \$ 101,239 primarily due to a decrease in enrollment and the resultant decrease in foundation receipts.

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HAMILTON COUNTY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Expenses decreased \$ 671,421 as the result of an effort by management to decrease expenses and improve cash flow. Cost-cutting measures were adopted across the categories of salaries, fringes, purchased services, and materials. Salaries decreased \$ 314,222, fringes decreased \$ 117,827, and purchased services decreased \$ 226,213.

Net assets increased \$ 164,837 as a result of the decreases in operating expenses beyond the decrease in revenues.

Capital Assets

At the end of the fiscal year 2009, the School had a total of \$28,964 in capital assets, net of accumulated depreciation. Table 3 is a summary of changes in the School's capital assets from fiscal year 2008 to fiscal year 2009.

**Table 3
Capital Assets**

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2009</u>
Computers	\$ 112,525	\$ -	\$ -	\$ 112,525
Less Accumulated Depreciation	\$ (46,053)	\$ (37,508)		\$ (83,561)
Capital Assets, Net	<u>\$ 66,472</u>	<u>\$ (37,508)</u>		<u>\$ 28,964</u>

Long-Term Debt

During the fiscal year ended June 30, 2009, the School entered into a note payable with the Superintendent. Table 4 summarizes the School's long-term debt.

**Table 4
Long Term Debt**

<u>Description</u>	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Promissory Note - Chase Bank	232,784	0	1864	230,920
Promissory Note - Advantage Bank	37,000	0	778	36,222
Promissory Note - Chase Bank Loan	201,600	0	61	201,539
Promissory Note - Chase Bank Loan	0	47,000	35000	12,000
	<u>471,384</u>	<u>47,000</u>	<u>37703</u>	<u>480,681</u>

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Current Financial Issues

The P.A.C.E. High School was formed in 2005. During the 2008-2009 school year, there was an average of 332 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2009 amounted to \$5,792 per student. The average number of years experience for teachers was 5 years.

Contacting the School's Financial Management

This financial report is designed to provide our constituents 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 Stephanie Millard, Treasurer, at 3015 Clifton Avenue, Cincinnati, Ohio 45220 or e-mail at Stephanie.millard@zoomtown.com.

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**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Cash	\$ 58,172	\$ 41,146
Prepaid Items	<u>97,400</u>	<u>12,699</u>
Noncurrent Assets	<u>155,572</u>	<u>53,845</u>
Depreciable Capital Assets, Net	28,964	66,472
Deposit	<u>16,667</u>	<u>16,667</u>
Total Non-Current Assets	<u>45,631</u>	<u>83,139</u>
Total Assets	201,203	136,984
	=====	=====
Liabilities		
Current Liabilities		
Accounts Payable	\$ 9,579	\$ 36,000
Accrued Wages and Benefits	<u>89,332</u>	<u>172,826</u>
Total Current Liabilities	<u>98,911</u>	<u>208,826</u>
Long Term Liabilities		
Long Term Note Payable	<u>480,681</u>	<u>471,384</u>
Total Liabilities	\$ 579,592	\$ 680,210
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 28,964	\$ 66,472
Unrestricted	<u>(407,353)</u>	<u>(609,698)</u>
Total Net Assets	\$ (378,389)	\$ (543,226)
	=====	=====

See the Accompanying Notes to the Basic Financial Statements.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	2009	2008
Operating Revenues		
Foundation Payments	\$ 2,021,854	\$ 2,189,061
State Special Education	<u>199,897</u>	<u>216,793</u>
Total Operating Revenues	<u>2,221,751</u>	<u>2,405,854</u>
 Operating Expenses		
Salaries	1,046,523	1,360,745
Fringe Benefits	320,955	438,782
Purchased Services	815,484	1,041,697
Materials and Supplies	35,467	84,019
Other Expenses	173,846	167,031
Capital Outlay	<u>29,313</u>	<u>735</u>
Total Operating Expenses	<u>2,421,588</u>	<u>3,093,009</u>
 Operating Loss	<u>(199,837)</u>	<u>(687,155)</u>
 Non-Operating Revenues		
Federal and State Grants	269,538	270,254
Miscellaneous Income	<u>95,136</u>	<u>11,556</u>
Total Non-Operating Revenues	<u>364,674</u>	<u>281,810</u>
 Change in Net Assets	164,837	(405,345)
 Beginning Net Assets (Restated – Note 14)	<u>(543,226)</u>	<u>(137,881)</u>
 Ending Net Assets	<u>\$ (378,389)</u>	<u>\$ (543,226)</u>
	=====	=====

See the Accompanying Notes to the Basic Financial Statements.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Received from State of Ohio	\$ 2,221,751	\$ 2,405,854
Cash Payments to Employees	(1,462,048)	(1,864,591)
Cash Payments for Supplies	(35,467)	(84,019)
Cash Payments for Other Activities	(1,081,181)	(1,226,193)
<i>Net Cash Used for Operating Activities</i>	(356,945)	(768,949)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Grants Received	269,538	270,254
Other	95,136	11,556
<i>Net Cash Provided by Noncapital Financing Activities</i>	364,674	281,810
Cash Flows From Capital and Related Financing Activities		
Proceeds From Capital Debt	47,000	471,600
Principal Paid on Capital Debt	(37,703)	(216)
Net Cash Provided by Capital and Related Financing Activities	9,297	471,384
<i>Net Change in Cash and Cash Equivalents</i>	17,026	(15,755)
Cash and Cash Equivalents at Beginning of Year	41,146	56,901
Cash and Cash Equivalents at End of Year	58,172	41,146
Reconciliation of Operating Income to Net Cash		
<u>Used for Operating Activities:</u>		
Operating Loss	\$ (199,837)	(687,155)
Adjustments to Reconcile Operating Loss to Net		
<u>Cash Used for Operating Activities:</u>		
Depreciation Expense	37,508	37,508
Changes in Assets and Liabilities		
Change in Prepaid Items	(84,701)	8,241
Change in Accounts Payable	(26,421)	(62,479)
Change in Accrued Wages and Benefits	(83,494)	(65,064)
Total Adjustments	(157,108)	(81,794)
<i>Net Cash Used by Operating Activities</i>	\$ (356,945)	\$ (768,949)

See the Accompanying Notes to the Basic Financial Statements.

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**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

P.A.C.E. High School, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students by utilizing an approved evaluation involving the community. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contracts for any services necessary for the operation of the School.

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) until June 30, 2009. The sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expirations or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees of which the majority must be community residents. The Board of Trustees is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board of Trustees controls the School's on instructional/support facility staffed by 17 non-certified employees and 12 certificated full time teaching personnel who provide services to 332 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurement made.

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.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised 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 an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. The School follows a budget that is adopted and revised as needed.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Prepaid Items

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. Depreciation is computed using the straight-line method over the estimated useful life of the capital asset. The School's capital assets consist solely of computers and related equipment which is being depreciated over three years.

Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from policies and procedures approved by the Board of Trustees. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators, and non-certified employees are allowed 15 sick days and 3 personal days per year, any unused sick or personal leave is not accumulated.

Insurance Benefits

The School provides life, medical/surgical and dental benefits to most employees through Humana.

Net Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or law or regulations of other

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

governments. The School did not have any restricted net assets at fiscal year end.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the state. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

Estimates

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

NOTE 3 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School must maintain deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the School places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legal constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At June 30, 2009, the School's deposits were \$58,172, and the bank balances \$58,233. Of the bank balance up to \$250,000 is covered by federal depository insurance and the excess, if any, is insured by collateralized securities held by the pledging institutions' trust department in the School's name.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009:

	<u>June 30,</u> <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,</u> <u>2009</u>
<u>Business-Type Activity</u>				
Capital Assets Being Depreciated				
Computers	\$ 112,525	\$ -	\$ -	\$ 112,525
Less Accumulated Depreciation				
Computers	46,053	37,508		83,561
Total Accumulated Depreciation	46,053	37,508	-	83,561
Total Capital Assets Being Depreciated, Net	<u>66,472.00</u>	<u>37,508</u>	<u>-</u>	<u>28,964</u>

NOTE 5 – RISK MANAGEMENT

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. For fiscal year 2009, the School contracted with Philadelphia Insurance Company for general liability, property, and for educational errors and omissions insurance. The policy's general aggregate personal and advertising injury and each occurrence limit is \$1,000,000 with a \$5000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 6 – DEFINED BENEFIT PENSION PLANS

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$66,260, \$80,718, and \$75,998 respectively; 100 percent has been for fiscal years 2009, 2008 and 2007.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS
(Continued)**

State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum with withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS
(Continued)**

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$93,024, \$112,499, and \$126,633 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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. The contribution rate is 6.2 percent of wages.

NOTE 7 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

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

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009 there was no surcharge due or payable.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$33,851, \$24,100, and \$18,100 respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal year ended June 30, 2009, was \$5,345, for 2008 and 2007 this was \$ 3,805 and \$2,857 respectively; 100 percent has been contributed for fiscal year 2009.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For, 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, 2009, 2008, 2007 were \$8,098, \$8,036, and \$5,428 respectively.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 8 - CONTINGENCIES

Grants

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

State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated.

NOTE 9 – OPERATING LEASE

The School leases a building from an unrelated entity. This lease started in July, 2007 and expired in June 2010. The base rent lease payments are \$12,500 a month. Lease expense for the fiscal year ended June 30, 2009 was \$150,000.

The School also leases land and building from an unrelated entity. The leased stated in June, 2007 and expires in June, 2011 at which time the lease has an option for renewal for a term of 5 years at adjusting rates. The monthly lease payment is \$16,667. Rent expense for the year ended June 30, 2009 was \$200,000.

The School leases copier equipment from an unrelated entity at \$ 899.60 per month. The lease started in July 2007 and expired in June 2010. Lease expense for the year ended June 2009 was \$10,795.

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

The minimum future lease payments under the above non-cancellable leases are as follows:

Years Ending <u>June 30</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2010	\$365,000	\$ 10,795	\$375,795
2011	200,000		200,000
2012	0		0
Total	<u>\$565,000.00</u>	<u>\$10,795.00</u>	<u>\$575,795.00</u>

NOTE 10 – NOTES PAYABLE – RELATED PARTY

	June 30 <u>2008</u>	Issuance of Debt	<u>Payments</u>	June 30 <u>2009</u>
Notes Payable-Related Party	<u>\$471,384</u>	<u>\$47,000</u>	<u>\$37,703</u>	<u>\$480,681</u>

The School has a balance on an unsecured non-interest bearing Note Payable to the Superintendent. This is comprised of four unsecured, interest bearing notes payable. During the fiscal year ended June 30, 2009, an additional \$ 47,000 was loaned to the School by the superintendent to aid in a cash flow shortage. This is also unsecured and non-interest bearing. A summary of note activity follows:

Description	Restated Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009	Interest Rate
Promissory Note - Chase Bank	232,784	0	1864	230,920	8.55%
Promissory Note - Advantage Bank	37,000	0	778	36,222	5.25%
Promissory Note - Chase Bank Loan	201,600	0	61	201,539	7.25%
Promissory Note - Chase Bank Loan	0	47,000	35000	12,000	0%
	<u>471,384</u>	<u>47,000</u>	<u>37703</u>	<u>480,681</u>	

**P.A.C.E. HIGH SCHOOL
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 – PURCHASED SERVICES

For the year ended June 30, 2009, purchased service expenses were comprised of the following:

Instructional Services	86,236
Miscellaneous	71,092
Professional Development	22,098
Legal and Professional	9,468
Printing and Reproduction	17,117
Property Services	582,211
Cafeteria	27,262
	<hr/>
TOTAL PURCHASED SERVICES	\$815,484

NOTE 12 - GOING CONCERN

For the year ended June 30, 2009, the School had an operating loss of (\$199,837) and an unrestricted net asset deficit of (\$407,353). Through cost-cutting efforts and initiatives to increase enrollment the School had a change in net assets during the 2009 fiscal year of \$164,837 which reduced the deficit. Management intends to extend the same cost-cutting efforts into 2010 and predicts a further decrease in the deficit of a similar or greater amount.

NOTE 13 - PRIOR YEAR RESTATEMENT

Restatement of Outstanding Debt Balance and Net Assets

The prior audit report incorrectly reported outstanding debt at June 30, 2008. The beginning outstanding debt balance for July 1, 2008 was restated as follows:

Beginning Outstanding Debt Balance, July 1, 2008	\$437,638
Restatement of Beginning Outstanding Debt Balance	33,746
Beginning Outstanding Debt Balance, July 1, 2008, as Restated	\$471,384

Due to the adjustments above, the prior audit report also incorrectly reported total net assets at June 30, 2008. The beginning net assets balance for July 1, 2008 was restated as follows:

Beginning Net Assets, July 1, 2008	\$(509,480)
Restatement of Beginning Net Assets	(33,746)
Beginning Net Assets, July 1, 2008, as Restated	\$(543,226)



Dave Yost • Auditor of State

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

Pace High School
Hamilton County
1601 California Avenue
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the financial statements of the business-type activities of Pace High School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 24, 2011, wherein we noted the School incurred an operating loss and negative assets balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 24, 2011.

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.

We intend this report solely for the information and use of management, the audit committee, Board of Directors, the School's sponsor, and others within the School. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 24, 2011

PACE HIGH SCHOOL
HAMILTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009

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

FINDING NUMBER 2009-001

Finding for Recovery – 105 Consecutive Hours Missed

Ohio Revised Code, Section 3314.03(A)(6)(b), states that a copy of every contract entered into under this section shall be filed with the Superintendent of Public Instruction. Each contract entered into between a sponsor and the governing authority of a community school shall specify a requirement that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

Numerous students missed more than 105 consecutive hours. Their withdrawal dates should have been the date they accumulated 105 consecutive missed hours. The school received funding for 8,211 days past the date the students missed 105 consecutive hours totaling \$261,438.

Any student with 105 consecutive hours missed should immediately be withdrawn from the School. We recommend the school ensure all students with 105 consecutive hours of absences immediately be withdrawn from the School and reported to the Ohio Department of Education so funding will cease.

In accordance with the forgoing facts and pursuant to **Ohio Revised Code, Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against Pace High School in the amount of \$261,438 and in favor of the Ohio Department of Education (ODE) on behalf of the students' resident school districts.

Of the students indicated above the School improperly received base foundation funding totaling \$261,438. Due to the complex nature of calculating the special education foundation payment amount, we will refer the determination of the special education overpayment amount to ODE for calculation.

Officials' Response:

Former P.A.C.E. staff did not completely report attendance and enrollment information. P.A.C.E. High School has already begun payment and will continue to pay in installments until the obligation is satisfied.

FINDING NUMBER 2009-002

Material Weakness

The management of each community school is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The School's financial report for the fiscal year ended June 30, 2009 contained errors as follows:

- The School understated outstanding debt by \$115,537. Likewise, the School overstated total net assets by \$115,537.
- Within the Statement of Cash Flows, the Net Cash used by Operating Activities in the Reconciliation of Operating Loss to Net Cash did not agree to the Net Cash Used by Operating Activities in the Increases (Decreases) in Cash and Cash Equivalents. The amounts had a variance of \$166,400.

**FINDING NUMBER 2009-002
(Continued)**

- The School did not properly disclose the future minimum lease payments in the Operating Lease Note.

The School made adjustments to the accompanying financial statements and notes for the above items.

The School should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of financial report summaries of sufficient detail (monthly detail revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.)
- Review of revenue/expenditures
- Identification of unusual fluctuations
- Review of monthly reconciliations

Officials' Response:

The School will implement a monitoring control system to assist in detecting misstatements in financial or other information. Monitoring controls will consist of a review of financial reports by a third party to ensure that financial control objectives are met.

**PACE HIGH SCHOOL
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Noted in Auditor of State cover sheet	Finding for recovery for student funding	Yes	Repaid on February 15, 2011
2008-001	Lack of ability to prepare annual financial statements	Yes	
2008-002	Failure to properly present financial statements in accordance with generally accepted accounting principles	No	Not corrected; re-issued as Finding 2009-002

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Pace High School
Hamilton County
1601 California Avenue
Cincinnati, Ohio 45237

To the Board of Directors:

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

1. We noted the Board did not adopt an anti-harassment policy.
2. The following requirements from Ohio Rev. Code Section 3313.666(B) were not adopted:
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;

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

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

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



Dave Yost
Auditor of State

March 24, 2011



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PACE HIGH SCHOOL

HAMILTON 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 12, 2011**