

DOHN COMMUNITY HIGH SCHOOL

Basic Financial Statements

Year Ended June 30, 2005

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Directors
Dohn Community High School
608 E. McMillan Ave.
Cincinnati, Ohio 45201

We have reviewed the *Independent Auditors' Report* of the Dohn Community High School, Hamilton County, prepared by Foxx & Company, for the audit period July 1, 2004 through June 30, 2005. 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 Dohn Community High School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 18, 2007

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DOHN COMMUNITY HIGH SCHOOL

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Independent Auditors' Report

Dohn Community High School
Hamilton County
608 E. McMillan Street
Cincinnati, Ohio 45206

To the Board of Trustees

We have audited the accompanying Basic Financial Statements of the Dohn Community High School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 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.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Jaxx & Company

October 6, 2006

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
Unaudited**

The discussion and analysis provides key information from management highlighting the overall financial activities of Dohn Community High School for the fiscal year ended June 30, 2005. This is meant to be an easily readable summary of the most important information regarding the accompanying financial statements. Please read it in conjunction with the School's financial statements.

Financial Highlights

Major financial highlights for the year ended June 30, 2006 are listed below:

- Total Assets were \$2,142,417.
- Total Liabilities were \$992,415.
- The Change in Net Assets was \$(46,085).

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements, 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 presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the school's net assets changed during the most fiscal year.

The statement of cash flows presents the sources and uses of the school's cash and how it changed during the most recent school year.

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
Unaudited**

Table 1 provides a summary of the Schools' net assets for fiscal year 2005 compared to fiscal year 2004:

Table 1
Net Assets

	2005	2004
Assets		
Current Assets	\$ 107,898	\$ 370,381
Capital Assets, Net	<u>2,034,519</u>	<u>953,629</u>
<i>Total Assets</i>	<u>\$ 2,142,417</u>	<u>\$ 1,324,010</u>
Liabilities		
Current Liabilities	\$ 187,253	\$ 127,923
Non-Current Liabilities	<u>805,162</u>	<u>-</u>
<i>Total Liabilities</i>	<u>992,415</u>	<u>127,923</u>
Net Assets		
Invested in Capital Assets	1,254,551	953,629
Unrestricted	<u>(104,549)</u>	<u>242,458</u>
<i>Total Net Assets</i>	<u>\$ 1,150,002</u>	<u>\$ 1,196,087</u>

Total assets increased by \$818,407, which represents a 61.81 percent increase from fiscal year 2004. The increase is due primarily an increase in capital assets related to building improvements. Total liabilities increased by \$864,492, which represents a 675.79 percent increase from 2004. The increase is primarily due to increase in debt associated with building improvements. The School's net assets decreased by \$46,085.

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
Unaudited**

Table 2 shows the changes in net assets for the year ended 2005 as compared to fiscal year 2004.

Table 2
Change in Net Assets

	2005	2004
Revenues		
Operating Revenues:		
Foundation Payments	\$ 387,068	\$ 297,612
Disadvantaged Pupil Impact Aid	2,431	6,215
Special Education	88,523	67,280
Classroom Fees	3,543	2,988
Other Operating Revenues	4,144	13,696
Non-Operating Revenues:		
Federal and State Grants	57,407	736,706
Contributions and Donations	151,685	87,355
Interest	863	129
Total Revenues	695,664	1,211,981
Expenses		
Operating Expenses		
Salaries	365,645	200,218
Fringe Benefits	75,583	48,765
Purchased Services	154,218	109,173
Materials and Supplies	18,707	22,475
Depreciation	88,918	42,976
Other Expenses	13,577	61,751
Non-Operating Expenses:		
Interest and Fiscal Charges	25,101	-
Total Expenses	741,749	485,358
Increase/(Decrease) in Net Assets	\$ (46,085)	\$ 726,623

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
Unaudited**

The decrease in revenues of \$516,317 was caused primarily by a \$679,299 decrease in Federal and State grants, offset by an \$89,456 increase in Foundation payments. Expenses increased by \$256,391 from fiscal year 2004. The expense for salaries increased by \$165,427 and the expense for fringe benefits increased by \$26,818 from fiscal year 2004, resulting primarily from an increase in staff throughout the 2005 school year. Depreciation expense increased by \$45,942.

Capital Assets

At the end of fiscal year 2005 the School had \$2,034,519 (net of \$168,462 in accumulated depreciation) invested in building and improvements and furniture and equipment. Table 3 shows fiscal year 2005 balances compared to fiscal year 2004:

Table 3
Capital Asset at June 30, 2005
(Net of Depreciation)

	2005	2004
Land	\$ 19,000	\$ 19,000
Buildings & Improvements	1,988,834	913,967
Furniture, Fixtures, and Equipment	26,685	20,662
Totals	<u>\$ 2,034,519</u>	<u>\$ 953,629</u>

For more information on capital assets see Note 5 to the basic financial statements.

Debt

At June 30, 2005 the School had \$863,484 in outstanding long-term debt. Table 4 summarizes the long-term debt outstanding.

Table 4
Long-term Debt Outstanding Debt, at Year End

	2005	2004
Meyer Loan	\$ 300,000	\$ -
Note Payable	83,516	100,000
Construction Loan Payable	479,968	-
Total Outstanding Debt	<u>\$ 863,484</u>	<u>\$ 100,000</u>

For more information on debt see Note 6 to the basic financial statements.

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
Unaudited**

Current Financial Issues

The School's financial relationship with the Lucas County Educational Service Center aids in the improvements in the quality of financial records and strengthens internal controls. During the 2004-2005 school year, there were approximately 75 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2005 amounted to \$5,058 per student.

Contacting the School's Financial Management

This financial report is designed to provide 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 Ms. Kate Bower of Dohn Community High School, 608 E. McMillan Avenue, Cincinnati, Ohio, 45206, or e-mail at kbower@dohnschool.org.

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF NET ASSETS
As of June 30, 2005**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	63,026
Investments		35,191
Intergovernmental Receivable		6,826
Prepaid Items		2,855
Total Current Assets		107,898

Noncurrent Assets:

Land		19,000
Capital Assets, Net		2,015,519
Total Non-Current Assets		2,034,519

Total Assets	\$	2,142,417
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LIABILITIES

Current Liabilities

Accounts Payable	\$	7,799
Accrued Wages and Benefits Payable		26,309
Intergovernmental Payable		36,653
Due to Students		170
Line of Credit Payable		58,000
Current Portion of Long-term Debt		58,322
Total Current Liabilities		187,253

Non-Current Liabilities

Notes Payable Due in More Than One Year		805,162
Total Non-current liabilities		805,162

Total Liabilities		992,415
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NET ASSETS

Investment in Capital Assets, Net of Related Debt		1,254,551
Unrestricted		(104,549)
Total Net Assets	\$	1,150,002

See Accompanying Notes to the Basic Financial Statements

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the Fiscal Year Ended June 30, 2005**

Operating Revenues	
Foundation Payments	\$ 387,068
Disadvantaged Pupil Impact Aid	2,431
Special Education	88,523
Classroom Fees	3,543
Other Operating Revenues	4,144
Total Operating Revenues	485,709
 Operating Expenses	
Salaries	365,645
Fringe Benefits	75,583
Purchased Services	154,218
Materials and Supplies	18,707
Depreciation	88,918
Other Operating Expenses	13,577
Total Operating Expenses	716,648
Operating Loss	(230,939)
 Non-Operating Revenues and Expenses	
Operating Grants - State	43,877
Operating Grants - Federal	13,530
Interest	863
Contributions and Donations	151,685
Intrerest and Fiscal Charges	(25,101)
Total Non-Operating Revenues and (Expenses)	184,854
Change in Net Assets	(46,085)
Net Assets at Beginning of Year	1,196,087
Net Assets at End of Year	\$ 1,150,002

See Accompanying Notes to the Basic Financial Statements

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2005**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 515,968
Cash Received from Classroom Materials and Fees	3,543
Cash Received from Other Operating Sources	4,144
Cash Payments to Suppliers for Goods and Services	(190,485)
Cash Payments to Employees for Services	(352,408)
Cash Payments for Employee Benefits	(69,959)
Net Cash Used for Operating Activities	<u>(89,197)</u>

Cash Flows from Noncapital Financing Activities

Operating Grants Received - Federal	216,370
Operating Grants Received - State	43,877
Contributions and Donations	116,494
Net Cash Provided by Noncapital Financing Activities	<u>376,741</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Loans	871,000
Principal Payments	(49,516)
Interest and Fiscal Charges	(25,101)
Payments for Capital Acquisitions	(1,169,808)
Net Cash Used for Capital and Related Financing Activities	<u>(373,425)</u>

Cash Flows from Investing Activities

Interest on Investments	863
Proceeds from Sale of Investments	19,054
Net Cash Provided by Investing Activities	<u>19,917</u>

Net Increase in Cash and Cash Equivalents	(65,964)
Cash and Cash Equivalents at Beginning of Year	128,990
Cash and Cash Equivalents at End of Year	<u>\$ 63,026</u>

(Continued)

**DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2005
(Continued)**

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

Operating Loss	\$	(230,939)
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**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities**

Depreciation		88,918
Changes in Assets and Liabilities:		
Decrease in Intergovernmental Receivable		11,284
Increase in Prepaid Items		(1,468)
Decrease in Accounts Payable		(5,723)
Increase in Accrued Wages Payable		14,043
Increase in Intergovernmental Payable		34,688
Total Adjustments		141,742
Net Cash Used for Operating Activities	\$	(89,197)

See Accompanying Notes to the Basic Financial Statements

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

1. DESCRIPTION OF THE REPORTING ENTITY

Dohn Community High School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702, to address the needs of students in grades nine through twelve who have been impacted by substance abuse. The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status. The School's program includes a curriculum that provides academic credit coupled with substance abuse intervention. The target population of at-risk youth is those who have a problem with alcohol or other drugs, as well as those who have lived with a substance abusing relative or guardian. 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 contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing March 14, 2000. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsor as of June 30, 2005 was Lucas County Educational Service Center.

The School operates under the direction of a nine member Board of Directors (the Board). 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 has formed several committees to carry out the governance functions of the School. These include a Board Development Committee, Facility Committee, Fundraising Committee, Program Committee, and a Finance/Audit Committee. The School's Founder and Superintendent serve as a non-voting member of the Board.

The Board hires the Superintendent, who hires all other staff, and manages the day-to-day operations of the School. The Board controls the School's one instructional/support facility staffed by 2 non-certified and 8 certificated full time teaching personnel who provide services to 75 students.

The School has entered into a service agreement with the Sponsor to provide certain financial and accounting services and the Treasurer of the Sponsor serves as the Chief Fiscal Officer of the School, (See Note 12).

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

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 a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School's accounting policies.

A. 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. The School's uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements 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 flow reflects how the School finances and meets its cash flow needs.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the 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 annually.

D. Cash and Investments

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate accounts in the School's name. Monies for the

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

School are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of three hundred dollars. The School does not possess any infrastructure.

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 expensed.

Capital assets are depreciated over the remaining useful live of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	30
Furniture and Equipment	3

F. 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. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

G. Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the Statement of Net Assets, using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. 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 regulations of other governments.

I. Estimates

The preparation of the financial statements in conformity with 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.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program and the State Special Education program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At June 30, 2005, the carrying amount of the School's deposits was \$63,026 and the bank balance was \$72,063. The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

The School's investments are categorized to give an indication of the level of risk assumed by the School at year-end. Category 1 includes investments insured or registered for which the securities are held by the School or its agent in the School's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or unregistered investments for which the securities are held by the counterparty's trust department or agent in the School's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School's name. The School's investments, totaling \$35,191 (reported amount and fair value), of donated common stock are maintained in a Gradison McDonald Financial Group Account which is included in Category 2.

4. RECEIVABLES

Receivable at June 30, 2005 consists of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

	Amount
<u>Intergovernmental</u>	
Title V	\$ 345
Title IV	404
Title IIA	3,628
Title IID	2,449
Total Intergovernmental Receivable	\$ 6,826

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
Capital Assets Not Being Depreciated				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital Assets Being Depreciated				
Buildings & Improvements	944,947	1,144,695	-	2,089,642
Furniture, Fixtures, and Equipment	69,226	25,113	-	94,339
Total Capital Assets Being Depreciated	1,014,173	1,169,808	-	2,183,981
Less Accumulated Depreciation:				
Buildings	(30,980)	(69,828)	-	(100,808)
Furniture, Fixtures, and Equipment	(48,564)	(19,090)	-	(67,654)
Total Accumulated Depreciation	(79,544)	(88,918)	-	(168,462)
Total Capital Assets Being Depreciated, Net	934,629	1,080,890	-	2,015,519
Total Capital Assets, Net of Accum. Dep.	\$ 953,629	\$ 1,080,890	\$ -	\$ 2,034,519

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

6. DEBT

Long-term Debt outstanding for the School as of June 30, 2005 was as follows:

Description	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005	Due Within One Year
(A) Meyer Loan	\$ -	\$ 300,000	\$ -	\$ 300,000	
(B) Note payable	100,000		16,484	83,516	\$ 24,720
(C) Construction Loan	-	500,000	20,032	479,968	33,602
	<u>\$ 100,000</u>	<u>\$ 800,000</u>	<u>\$ 36,516</u>	<u>\$ 863,484</u>	<u>\$ 58,322</u>

(A) Meyer Loan

The Meyer Loan is a no interest \$300,000 loan due to David Meyer. The loan matures on December 31, 2007.

(B) Note Payable

The \$100,000 note payable is a five year term promissory note due to National City Bank. The note was issued on June 15, 2004 and matures on June 15, 2009. The interest rate is equal to the prime rate plus three quarters of one percent. The note is secured by a second mortgage on the School's premises. The note is also secured by all other personal and real property owned by the School.

(C) Construction Loan

The \$500,000 construction loan is a five year draw promissory note due to National City Bank. The note was issued on June 15, 2004 and matures June 15, 2009. The interest rate is equal to the prime rate plus one half of one percent. The note is secured by a first mortgage on the School's premises. Seventy-five percent of the principal or \$375,000 is guaranteed by the Ohio School Facilities Commission Community School Classroom Facility Loan Guarantee Program.

Line of Credit

The line of credit with National City Bank carries a limit of \$50,000. The interest rate is prime plus one percent. The note matures on June 13, 2006 and is secured by a third mortgage on the School's premises. The note is also secured by all other personal and real property owned by the School. The balance outstanding as of June 30, 2005 was \$48,000.

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

7. RISK MANAGEMENT

A. Insurance Coverage

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 the year ended 2005, the School contracted with Philadelphia Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

Professional liability is protected by Philadelphia Insurance Company with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate and no deductible.

B. Workers' Compensation

The School pays the State Worker's 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.

C. Employee Medical, Dental and Life Benefits

The School has contracted through a private carrier to provide employee medical, dental, and life/disability insurance to its full time employees. The School pays sixty-six percent of the monthly premiums for medical coverage and nineteen percent for dental and disability/life coverage.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School was required to

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

contribute an actuarially determined rate. The employer rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$6,178, \$3,297, and \$8,407, respectively; 79.30 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003. \$1,279 represents the unpaid contribution for fiscal year 2005. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement Systems (STRS)

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

For the fiscal year ended June 30, 2005, 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. The School's required contribution for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$47,178, \$29,597, and \$20,571, respectively; 84.33 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003; \$7,391 represents the unpaid contribution for fiscal year 2005. The balance outstanding is reflected as an intergovernmental payable.

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2005 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS OhioWeb site at www.strsoh.org.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the School, the amount to fund health care benefits, including surcharge, equaled \$1,590 for the fiscal year ended June 30, 2005.

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$4,900 for the fiscal year ended June 30, 2005.

10. CONTINGENCIES

A. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

B. Grants

The School receives financial assistance from numerous 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

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2005.

C. Pending Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18th, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are a part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. No oral argument date has been set. The effect of this suit, if any, on the School is not presently determinable.

D. School Funding

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has conducted two reviews of the School's 2005 student enrollment data and FTE calculations, which resulted in insignificant revenue adjustments.

11. FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Sponsor to serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. A total contract payment of \$12,026 was paid during the fiscal year, and a liability in the amount of \$72 was accrued as a liability for the fiscal year ended June 30, 2005.

**DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

12. PURCHASED SERVICES

For the period July 1, 2004 through June 30, 2005, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 86,162
Property Services	25,661
Travel Mileage/Meeting Expenses	7,583
Communications	10,442
Utilities	18,560
Contracted Craft or Trade Service	<u>5,810</u>
Total Purchased	<u>\$ 154,218</u>

13. Related Parties

Two Board members conducted business with the School during the period July 1, 2004 through June 30, 2005. One was paid \$5,213 under contract as the EMIS Coordinator. The other is the president of PDSC Corporation, the company hired by the School to oversee renovations. PDSC Corporation was paid \$3,850 during the current fiscal year.

14. Subsequent Events

A. Forgiveness of Note Payable

On November 17, 2005 the \$300,000 Meyer Loan described in Note 6 was forgiven. The balance outstanding on that date was \$226,205.

B. Sponsor and Fiscal Agent Contract

The contract with Lucas County Educational Service Center as sponsor was terminated in April, 2006. The School entered a new contract for sponsorship with Kids Count, Inc. effective May 1, 2006. The fiscal agent agreement with Lucas County Educational Services Center was terminated on June 30, 2006. A new fiscal agent agreement with Mangen and Associates took effect July 1, 2006.



**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 Board of Trustees
Dohn Community High School

We have audited the basic financial statements of Dohn Community High School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 6, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operating that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-01 through 2005-02.

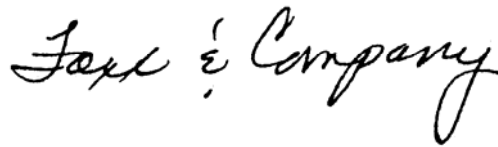
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider items 2005-01 to 2005-02 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring 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 instances of noncompliance or other matters that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as items 2005-03 and 2005-04.

In a separate letter to the School's management dated October 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of the Board of Trustees, management and Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Cincinnati, Ohio
October 6, 2006

**DOHN COMMUNITY HIGH SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2005**

Finding Number	2005-01
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Criteria – Good internal control requires that the activity of all bank accounts should be included in the entity’s financial statements.

Condition – The Gradison McDonald Investment account was not recorded on the books of the school as of June 30, 2005. This account is used to account for contributions of stock made to the school. Transactions occurring in this account, such as authorizations of stock sales and liquidations were not recorded in the Board of Trustee minutes. The school also failed to record transactions for a new bank account at Fifth Third Bank. The account was setup to account for a \$ 300,000 loan from a board member to finance leasehold improvements to the school

Effect – Significant adjustments were needed to the June 30, 2005 financial statements to record these accounts.

Cause – The Board minutes did not include board authorizations for the execution of sales or liquidations of stock occurring in the Gradison McDonald Investment account. In addition, statements and transaction details for the Fifth Third Bank account and the Gradison McDonald Investment account were not properly provided to the fiscal agent or to the compiler of the financial statements.

Recommendation – We recommend that (1) transactions authorizing sales and liquidations of stock be properly documented in the Board minutes and (2) source documents for all bank and investment accounts be provided to the fiscal agent and compiler of the financial statements.

Views of responsible officials and planned corrective actions

In the future all transactions authorizing sales and liquidations of stock will be properly documented in the Board Minutes prior to the occurrence. Additionally, all information relative to financial transactions will be initiated by the Treasurer in cooperation with the Superintendent and then presented to the Board of Trustees for approval. See the corrective action plan for the Fifth Third Account on page 30.

Finding Number	2005-02
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Criteria – Good internal controls requires that supporting documentation for cash receipts be maintained in the books and records and easily traced to bank deposits.

Condition – The receipt books of the school were not properly maintained. Four different receipt books with different numbering sequences were used. Receipt records were lost or misplaced for 35 of 46 receipts tested.

Effect – Bank deposit slips could not be matched against a list of receipts to ensure that all amounts on the receipts were deposited.

Cause – The school is not using a consistent systematic method for processing cash receipts and retaining source documents.

Recommendation – We recommend that the school implement a standard system of processing cash receipts that ensures that receipt documentation is properly maintained and can be traced to bank deposits.

Views of responsible officials and planned corrective action –

Significant changes have been made regarding the procedures used for the receipt of funds. Currently, all receipts once received are entered into the accounting system, and then two duplicate receipt copies are printed. One of these copies is filed by month, along with the supporting documentation for that receipt. The second copy of the duplicate receipt is filed in a duplicate receipt binder by month.

Finding Number	2005-03
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Criteria – Ohio Revised Code 7.40 requires all teachers to be certified.

Condition – The certifications should be obtained and filed in the school’s records. Teacher certifications for two of the teachers were not provided.

Effect – The School is in violation of the Ohio Revised Code.

Cause – The School failed to obtain and properly maintain the certifications.

Recommendation – We recommend that the school implement procedures to ensure all teacher certifications are obtained and properly filed in the School’s records.

Views of responsible officials and planned corrective action -

Heidi Mendez, the educational director, and Kian Furnace, the college and career planning teacher, both were certificated. Their certificates were on file for the school site visits from the Ohio Dept of Education and the school’s sponsor, however they apparently were misplaced and could not be located for the audit. The former employees did not respond to numerous requests to provide a second copy of their certificates. Both are currently employed in different public school districts.

Finding Number	2005-04
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Criteria – The school’s conflict of interest policy requires that board members disclose all transactions between the school and board member or immediate family.

Condition – As reported in the prior year’s audit, Mr. Grant Hesser became a board member and was hired as project manager to oversee the school’s construction project. The conflict of interest statement did not disclose this relationship with the school. His company was paid a total of \$3,850 during the current audit period.

Effect – The school has executed transactions that are not in compliance with the conflict of interest policy.

Cause – The school did not have Mr. Hesser sign a revised conflict of interest policy statement.

Recommendation – We recommend the school put in place procedures to monitor and guard against transactions that are not in compliance with the school’s conflict of interest policy.

Views of responsible officials and planned corrective action -

The audit report for Fiscal Year 2005 was not received until after the construction project was completed. Consequently, a revised conflict of interest policy statement had not been completed.

**DOHN COMMUNITY HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Or Finding No Longer Valid; Explain:
2004-001	Signing of purchase orders by the superintendent	Yes	
2004-002	Violation of conflict of interest policy	No	Not corrected; The board member was still retained as the Project Administrator and received \$3,850 during current fiscal year without signing a revised conflict of interest policy statement

Corrective Action Taken Regarding Receipt of Individual Donations for Capital Improvements

During the 2004-05 school year Dohn Community High School was involved in renovation of the school and construction costs exceeded the available revenue by \$300,000. Mr. David Meyer, Chairman of the Board of Trustees, generously agreed to loan the school \$300,000, with the understanding that the Superintendent and Board of Trustees would raise funds over the next several years to repay the loan. The Board of Trustees approved by resolution the issuance of a promissory note on February 7, 2005.

Mr. Meyer wanted to ensure that the loan was used for construction costs and requested that a separate account be established at Fifth-Third Bank. The account would be used to pay for construction costs and donations to the Capital Fund would be deposited into this account to pay off the loan. This was resolved by the Board on February 7, 2005. The Board also resolved that Mr. Grant Hesser, the project manager, and Mr. Richard Reis, Vice President of the Board were to be the co-signers on the account.

The account was opened on February 9, 2005 with initial deposit of the \$300,000 loan from Mr. David Meyer. Other deposits included donations from PDSC Corporation, The Schott Foundation, Jim Schmidt, other private donors and a refund check from FSN. Checks written on the account for construction costs totaled \$311,714.79 and an additional check for \$50,000 was written to David Meyer, for partial payment on the promissory note.

In August, 2005, Kate Bower, the school Superintendent informed the Board that since the construction had been completed, the account needed to be closed. Kate notified the Board, Richard Cox, the school treasurer, and Loren Crisp, at the auditor's office that the account existed and she was recommending it be closed. The account was closed on November 14, 2005. The check register and all records of the account were sent to Richard Cox on November 15, 2005.

Corrective action has been taken to insure that separate accounts are not opened in the future.

Since November 3, 2005, when this account was closed, any receipts for capital improvements were sent directly to Lucas County Educational Service Center, the Fiscal Agent for Dohn Community High School.



Mary Taylor, CPA
Auditor of State

DOHN COMMUNITY 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
JULY 31, 2007**