EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

East End Community Heritage School
Hamilton County
7030 Reading Road Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the accompanying basic financial statements of East End Community Heritage School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007, as listed in the table of contents. These 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 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 respective financial position of East End Community Heritage School, Hamilton County, Ohio, as of June 30, 2007, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2010, 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.

As discussed in Note 13 to the financial statements, the School has accumulated net asset deficiency of $348,974. Note 13 describe Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, consisting 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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, except for the comingling of payroll expenses and the lack of documentation to support the payroll expenses for the non-mayor federal program noted in finding 2007-003, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 23, 2010

The discussion and analysis of the East End Community Heritage School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

- In total, net assets decreased $194,408 which represents a 126 percent decrease from 2006. This decrease was due to a decrease in students, the loss of sponsor funding, and a related decrease in state foundation monies and an increase in property expenses.

- Total assets decreased $13,042, which represents a 58 percent decrease from 2006. This was primarily due to the decline in students, the sale of an asset, and depreciation of equipment.

- Liabilities increased $181,366, which represents a 102 percent increase from 2006. Accounts payable increased by $178,659. The increase in payables was primarily due to the decrease in cash flow.

Using this Financial Report

This report consists of three parts, the MD&A, 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.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2007?" This statement 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 year 2007 and fiscal year 2006:

(Table 1)
Net Assets

	2007	2006
Assets		
Current Assets	$4,779	$4,219
Capital Assets, Net	$4,780	$18,382
Total Assets	$9,559	$22,601
Liabilities		
Current Liabilities	$358,534	$177,168
Total Liabilities	$358,534	$177,168
Net Assets		
Invested in Capital Assets	$4,780	$18,382
Unrestricted	($353,754)	($172,949)
Total Net Assets	($348,974)	($154,567)

Total assets decreased $13,042. This was primarily due to the sale of equipment.

Total liabilities increased $181,366. This was primarily due to the increase in accounts payable.

Table 2 shows the changes in net assets for fiscal year 2006 and fiscal year 2007, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2007	2006
Operating Revenues		
Foundation Payments	$871,580	$1,091,989
State Special Education	$86,338	$109,122
Sponsor Payments	-	$194,001
Other	$50,804	-
Total Operating Revenues	$1,008,722	$1,395,112
Non-Operating Revenues		
Federal and State Grants	$588,411	$497,284
Other Revenue	1,982	28,099
Total Revenues	$1,599,115	$1,920,495
Operating Expenses		
Salaries	$812,442	$1,159,681
Fringe Benefits	$318,873	$530,004
Purchased Services	$494,864	$421,836
Materials and Supplies	$135,547	$200,249
Depreciation	$9,584	$10,226
Other Expenses	$22,212	$19,031
Total Expenses	$1,793,522	$2,341,027
Changes in Net Assets	($194,407)	($420,531)

Although net assets decreased from 2006 to 2007, the amount of change in net assets from the beginning to the end of each year decreased $226,125 when compared to 2006. This was primarily due to a decrease in expenditures for salaries and benefits. There was a decrease in revenues of $321,381 and a decrease in expenses of $547,506 from 2006. Of the decrease in revenues, the foundation payments decreased by $220,409 and sponsor payments decreased by $194,001. Community Schools receive no support from tax revenues.

The expense for salaries decreased by $347,239 and the expense for fringe benefits decreased by $211,131 from 2006 due to a decrease in staff during fiscal year 2007. Purchased services increased $73,028 due to increased instructional service, building, and technology expense. Material and supplies expense decreased by $64,702 from 2006. Depreciation expense decreased by $643. According to the School's capital asset policy, depreciation is expensed for new capital assets in the each month beginning in the month they are purchased.

Capital Assets

At the end of fiscal year 2007 the School had $4,780, invested in furniture, fixtures, and equipment, computers, and textbooks, which represented a decrease of $13,603 from 2006. Table 3 shows fiscal year 2007 and fiscal year 2006:

(Table 3)
Capital Assets at June 30, 2007
(Net of Depreciation)

	2007	2006
Computers	$183	$2,532
Furniture, Fixtures, and Equipment	1,023	10,042
Textbooks	3,575	5,809
Totals	$4,781	$18,383

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

Current Financial Issues

The East End Community Heritage School was formed in 1999. During the 2006-2007 school year, there were approximately 150 students enrolled in the School. The School receives its finances mostly from state aide. Per pupil aide for fiscal year 2007 amounted to $6,386 per student. The average number of years experience for teachers was 7 years.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's 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.

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

	2007	2006
Assets		
Current Assets		
Cash	$ 18	$ 358
Employee Advances	4,761	3,861
Total Current Assets	4,779	4,219
Noncurrent Assts		
Capital Assets	49,301	66,521
Less Accumulated Depreciation	44,520	48,138
Capital Assets, Net	4,781	18,383
Total Assets	9,560	22,602
Liabilities		
Current Liabilities		
Accounts Payable	248,949	70,290
Accrued Wages and Benefits	85,881	77,859
Bank Funded Credit	8,934	18,020
Short Term Loans	14,770	11,000
Current Liabilities	358,534	177,169
Total Liabilities	358,534	177,169
Net Assets		
Invested in Capital Assets	4,780	18,383
Unrestricted	(353,754)	(172,950)
Total Net Assets	$ (348,974)	$ (154,567)

See accompanying notes to the basic financial statements

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2007

	2007	2006
Operating Revenues		
Foundation Payments	$ 871,580	$ 1,091,989
State Special Education	86,338	109,122
Other Income	50,804	0
Revenue from Sponsor	0	194,001
Total Operating Revenues	1,008,722	1,395,112
Operating Expenses		
Salaries	812,442	1,159,681
Fringe Benefits	318,873	530,004
Purchased Services	494,864	421,836
Materials and Supplies	135,547	200,249
Depreciation	9,584	10,226
Other Expenses	22,212	19,031
Total Expenses	1,793,522	2,341,027
Operating Loss	(784,800)	(945,915)
Non-Operating Revenues		
Federal and State Grants	588,411	497,284
Other Income	1,982	28,100
Totall Non-Operating Revenues	590,393	525,384
Change in Net Assets	(194,407)	(420,531)
Net Assets Prior Year	(154,567)	265,964
Ending Net Assets	$ (348,974)	$ (154,567)

See accompanying notes to the basic financial statements

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2007

	2007	2006
Cash Flow from Operating Activities:		
Cash Received for School Foundation Payments	$ 957,918	$ 1,201,111
Sponsor Payments	0	291,001
Other Income	50,803	0
Cash Payments to Employees and Suppliers for Goods and Services	(1,597,257)	(2,319,140)
Net Cash Used for Operating Activities	(588,536)	(827,028)
Cash Flow from NonCapital Financing Activities:		
Federal and State Subsidies	499,868	497,285
Other Income	88,543	28,100
Net Cash Provided by Noncapital Financing Activities	588,411	525,385
Cash Flows from Capital Financing Activities:		
Proceeds from Sale of Fixed Assets	$ 6,000	$ -
Net Cash Provided from Investing Activities	6,000	0
Cash Flows from Investing Activities:		
Short-Term Loans	3,770	11,000
Bank-financed credit	(9,085)	18,020
Repayment of Employee Advances	(900)	495
Net Cash Provided from Investing Activities	(6,215)	29,515
Net (Decrease) in Cash and Cash Equivalents	(340)	(272,128)
Cash and Cash Equivalents at Beginning of Year	358	272,486
Cash and Cash equivalents at Year End	$ 18	$ 358
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:		
Operating Loss	$ (784,800)	$ (945,915)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activates		
Depreciation	(9,584)	10,226
Decrease in Sponsor Receivable	0	97,000
Decrease in Intergovernmental Receivables	0	0
Increase (Decrease) in Accounts Payable	(178,658)	52,185
Increase (Decrease) in Accrued Wages	(8,022)	(25,530)
Increase (Decrease) in Intergovernmental Payable	0	(14,994)
Net Cash Used by Operating Activities	$ (588,536)	$ (827,028)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

East End Community Heritage 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 contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (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 was approved for operation under contract with Educational Resource Consultants of Ohio (ERCO) commencing July 1, 2006. 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 School operates under the direction of an eleven-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 one instructional/support facility staffed by 2 case managers, 1 non-certified and 12 certificated full time teaching personnel who provide services to 112 students.

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 on or before 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.

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenue, 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.

B. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

D. Prepaid Items

No prepaid items were reported in the financial statements.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of two thousand 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 not expensed.

Depreciation is computed using the straight-line method over the following –

Furniture Fixtures & Equipment	5 years
Computers	3 years
Textbooks	7 years

F. Compensated Absences

The criteria for determining vacation, sick, and personal leave components are derived from negotiated agreements, the human resources policy manual, and State laws. Classified employees earn five to ten days of vacation per year, depending upon length of service. Sick pay and personal leave benefits are not accrued as a liability at year-end. The financial statements do not include a liability for compensated absences, since none of the employees had vacation leave balances at year end. The School's policy only provides leave payments for unused vacation time.

G. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt 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. The School has no debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 and sales for food service. 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.

I. Estimates

The preparation of 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.

3. CASH AND CASH EQUIVALENTS

The carrying amount of the School's deposits with financial institutions was $ 18, and the bank balance was $18. Of that amount, $18 was insured by the FDIC. Cash and cash equivalents are funds temporarily invested in securities with a maturity of 90 days less and certificates of deposits. Overdraft protection made available via bank financing consisted of $8,934 at June 30, 2007.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007:

Business-Type Activity
Capital Assets Being Depreciated

	Balance at 6/30/06	Additions	Deletions	Balance at 6/30/07
Furniture, Fixtures and Equipment	22,840		(17,220)	5,20
Computers	28,034			28,034
Textbooks	15,647			15,647
Total	66,521	0	(17,220)	49,301
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(12,799)	(5,000)	13,202	(4,597)
Computers	(25,502)	(2,349)		(27,851)
Textbooks	(9,837)	(2,235)		(12,072)
Total Accumulated Depr	(48,138)	(9,584)	13,202	(44,520)
Total Capital Assets - Net	18,383	(9,584)	4,018	4,781

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School contracted with Hartford 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 $500 deductible. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in the past three years.

B. Workers' Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement 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 or by calling 800-878-5853.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $15,180, $31,343, and $37,891, respectively; 71 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 totaling $4,421 is recorded as a liability

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

6. DEFINED BENEFIT PENSION PLANS (Continued)

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place their entire 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan, Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 1999.

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 dies before retirement benefits begin; the member's designated beneficiary is entitled to receive the member's account balance.
For the fiscal year ended June 30, 2007, 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 fiscal year 2006, the portion used to fund pension obligations was 13.0 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, 2007, 2006, and 2005 were $103,316, $82,530, $77,938, respectively; 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005.

7. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $4,634 for fiscal year 2007.

7. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, (the latest information available) the balance was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare edibility and reimbursement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll. 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 2007, the minimum pay was established at $35,800. However the surcharge is capped at two percent of each employee's SERS salaries.

For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled $15,779. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were $158,757,207. The number of participants eligible to receive benefits at June 30, 2006 (the latest information available) was 59, 492.

8. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation 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 3 sick days per year; any unused sick leave is not accumulated.

B. Insurance Benefits

The School provides life and medical/surgical benefits to most employees through Anthem Blue Cross Blue Shield of Ohio. The School also provides dental benefits to most employees through Dental Care Plus.

9. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2007.

B. 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. For fiscal year 2007, the review was completed in January 2005. For the School, there was an insignificant variance between the amount received to date and the final payment in 2006; an insignificant variance is expected for fiscal year 2007 also. This variance will have no effect on the financial standing of the School.

10. OPERATING LEASE

The School leased a building from the Archdiocese of Cincinnati beginning September 1, 2006. The lease payments are $13,750 a month payable in monthly installments unless otherwise agreed. The School paid $105,330 for fiscal year 2007 and has a payable of $3,000 at June 30, 2007.

11. SUBSEQUENT EVENTS

In reviews of related party debt payments subsequent to June 30, 2006, payments of $1,000 towards the loan from the Treasurer were made in fiscal year 2008-2009 and none towards the loan from the East End Urban Redevelopment Corporation. No collection efforts were being pursued by the related parties.

12. RELATED PARTY LOAN

During the fiscal year ended June 30, 2007, related party loans totaling $3,770 were contributed by the School Treasurer and Board Chair. These loans supplemented a prior year related party loan of $9,000 from the School Treasurer. The loans were made to cover general operating expenses. There were no specific loan agreements but not specified repayment schedule and there has been no interest charged. As of June 30, 2007, total related party loans stood at $12,770.

13. MANAGEMENT PLAN TO ADDRESS NEGATIVE NET ASSETS

Management has devised a plan to address the negative net assets balance. Plans to further reduce the payroll expense, rent expense, and outside services were implemented in fiscal year 2007, and negotiations with most vendors to reduce pricing or to perform full donations of services to the organization were instituted. Fiscal year 2008 showed a significant decrease in the negative net assets balance from 2007. The negative net asset balance at June 30, 2009 is ($230,837). The School realized a cash decrease of $11,800 from June 30, 2009 to June 30, 2010. For fiscal year 2011, the School has reduced full time staff to eight employees in an effort to further reduce payroll related expenses. No significant repayment has been made on the delinquent salary and benefit amounts owed employees and/or former employees from the past three school years.

14. PURCHASED SERVICES

For the year ended June 30, 2007, purchased service expenses were comprised of the following:

Instruction Services	$28,971
Professional & Technical	180,391
Special Ed	2,609
Accounting and Business	56,447
Administrative Services	6,167
Professional Development	9,270
Rent	120,911
Communications	19,090
Property Services	44,621
Miscellaneous	25,084
	$493,561

15. NONCOMPLIANCE

Contrary to federal requirements payroll and related benefit expenditures were comingled with nonfederal expenditures during the year and detailed records were not provided for the federal expenditures resulting in the inability to determine if the federal grant money was expended for costs considered allowable under federal requirements.

The school did not present financial statements that comprised of all required financial statements and disclosures which resulted in adjustments to the financial statements (including footnotes) and their accounting records.

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EAST END COMMUNITY HERITAGE SCHOOL

HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	$20,039	$20,039
National School Lunch Program	LL-P1 & LL-P4	10.555	38,348	38,348
Total U.S. Department of Agriculture - Nutrition Cluster			**58,387**	**58,387**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	56,238	56,238
Special Education - Preschool Grant	C1-S1	84.173	695	695
Total Special Education Cluster			**56,933**	**56,933**
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	111,884	111,884
Innovative Educational Program	C2-S1	84.298	324	324
I Safe and Drug Free Schools	DR-S1	84.186	2,037	2,037
Technology Literacy Challenge Grant	TJ-S1	84.318	1,164	1,164
I Title II-A Improving Teacher Quality	TR-S1	84.367	18,629	18,629
21ST Century Learning Center	T1-S1	84.287	61,250	61,250
School Improvement	C1-SK	84.010	50,000	50,000
Total U.S. Department of Education			**302,221**	**302,221**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Hamilton County Department of Job and Family Services:				
TANF Program		93.558	169,745	175,276
Total U.S. Department of Health and Human Services			**169,745**	**175,276**
Totals			**$530,353**	**$535,884**

The accompanying notes to this schedule are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the East End Community Heritage School's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

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

East End Community Heritage School
Hamilton County
7030 Reading Road Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited the financial statements of East End Community Heritage Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007, and have issued our report thereon dated July 23, 2010, wherein we noted the School incurred a negative net asset 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-001 through 2007-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-001 and 2007-003 are also a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated July 23, 2010.

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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-003

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated July 23, 2010.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 the management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 23, 2010

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

East End Community Heritage School
Hamilton County
7030 Reading Road Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

Compliance

We have audited the compliance of East End Community Heritage School, Hamilton County, Ohio (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the East End Community Heritage School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as finding 2007-003.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that the School's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2007-003 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2007-003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated July 23, 2010.

The School's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. 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, Board of Directors, and the Community School's sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 23, 2010

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Title I – CFDA# 84.010 TANF – CFDA# 93.558
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2007-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. Audit adjustments have been posted to the School's financial records and are reflected in the accompanying financial statements to properly reflect the receipts, disbursements, assets and liabilities of the School. As a result, the records maintained by the School were not an accurate reflection of all moneys received and expended by the School. The following exceptions were noted:

FINDING NUMBER 2007-001
(Continued)

- The short-term loans/inter-organization advances were recorded on the draft financial statements, but were not disclosed as short-term debt or as related party transactions.

- The accounts payable ledger was incomplete and contained errors that resulted in several vendors having negative balances as being due. These errors understated the actual accounts payable balance by $185,360.

- The School failed to remove the value of a van that was sold during the year, and recorded the wrong amount of depreciation for equipment. These errors resulted in an overstatement of capital assets by $6,877.

- The outstanding checks listing for the bank reconciliation at June 30, 2007 contained voided electronic fund transfers which were recorded on the Quickbooks ledger but for which no transaction occurred. This error resulted in cash being understated by $12,553.

- Federal assistance for Temporary Assistance for Needy Families totaling $169,745 was recorded as local grants revenue rather than as federal grants revenue.

Governmental Accounting and Financial Reporting Standards Codification Standards (Codification) Section 2300.111 states governments should provide detail in the notes to the financial statements about capital assets and long-term liabilities, and Governmental Accounting and Financial Reporting Standards Codification Standards Section 2300.118 states governments should provide detail in the notes to the financial statements about short-term debt activity during the year, even if no short-term debt is outstanding at year-end.

Governmental Accounting and Financial Reporting Standards Codification Standards Section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements.

Based on the information that we were able to obtain for EECHS's notes to the financial statements presented for audit, we also noted the following reporting deficiencies:

- We noted two loans were issued during the audit period. Based on this information the following known debt activity was recorded on the financial statements but not disclosed in the footnotes:

Name	July 1, 2006 Balance	New Loans/Debt Issued	Payments	June 30, 2007 Balance
Stephanie Millard	$9,000	$2,500	$0	$11,500
East End Riverfront Community Urban Redevelopment Corporation	2,000	0	0	2,000
Bonnie Kroeger	0	1,270	0	1,270
Total	$11,000	$3,770	$0	$14,770

EECHS made the necessary adjustments to the financial statements (including footnotes) and their accounting records.

FINDING NUMBER 2007-001
(Continued)

It is vital that EECHS develop and present financial statements which are comprised of all required financial statements and disclosures. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over School funds, 2) reduces the Board of Directors' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

The lack of a capital asset system and established procedures to monitor new asset additions and deletions will decrease the School's ability to safeguard its capital assets. Establishing a capital asset system and policies and procedures will improve control over School property by decreasing the risk of loss and misappropriation. Perpetual maintenance of such information will also assist the School in maintaining adequate insurance as well as provide support evidence in case of theft or fire losses.

We recommend the School accurately maintain the accounting records and adopt procedures to properly monitor the School's financial activity. Adjustments were posted to the financial statements and, where applicable, to the School's financial records to correct the above errors.

Officials' Response:

Fiscal year 2007 was a financially difficult year for the school, as evidenced by the financial statements. Debt negotiations continued from 2007 until 2009, resulting in the substantial write-down of liabilities. More members of management are involved in debt and contract negotiations and thus, greater controls over the recording of items to the financial records.

FINDING NUMBER 2007-002

Significant Deficiency

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Monitoring which is a process that assesses the quality of internal control performance over time.

- Ensure that all transactions are properly authorized in accordance with management's policies.

In fiscal year 2007, the school began to make many partial payments to vendors. Several vendors required the school to make online payments. No documentation was maintained to demonstrate approval of these transactions. Five out of 25 (20%) disbursements tested in fiscal year 2007 totaling $6,299 were electronic fund transfers and did not have documentation of approval for payment.

Failure to approve payments can allow payments to be posted incorrectly, unallowable disbursements to be made, or misappropriation of school funds to go undetected. We recommend the school review their disbursement process, and develop a policy and practice to adequately document the review of each transaction.

Officials' Response:

Management has instituted greater controls over disbursements so that approvals are evidenced.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2007-003

Finding Number	2007-003
CFDA Title and Number	Improving Teacher Quality (Title II), #84.367
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness/Questioned Costs

OMB Circular A-133 Subpart C Section .300(a) states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

2 C.F.R. 225 Appendix A Section (E) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

    a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.

    b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

    c. Equipment and other approved capital expenditures.

    d. Travel expenses incurred specifically to carry out the award.

2 C.F.R. 225 Appendix A Section (C)(1)(j) provides that "to be allowable under Federal awards, cost must meet the following general criteria:…be adequately documented."

34 C.F.R. 74.21(b)(2) also states that recipients' financial management systems shall provide the following: records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest."

While the School did identify federal revenue received and non-payroll expenditures to its appropriate program and/or grant, they posted all payroll expenditures incurred during the year into one fund and did not identify which of these expenditures were related to the individual federal programs. At month end and during year-end close-out procedures, payroll allocations were made to grants by adjusting journal entries, and as part of year-end close out the School posted journal entries to allocate payroll and fringe benefit expenditures to their federal programs. Payroll and fringe benefit expenses allocated to the Improving Teacher Quality federal programs was $18,351. The journal entries representing the federal payroll and fringe benefit expenditures were based on the federal revenue received for each grant and time and effort documentation to support each of the expenses allocated to the federal programs was not included with the expenses. As a result of the comingling and lack of detailed records to support the payroll and fringe benefits allocations we were unable to determine if the federal grant money was expended for costs considered allowable under federal requirements for Improving Teacher Quality federal programs. Comingling of funds can result in lack of monitoring grant activity for allowability and proper reporting.

FINDING NUMBER 2007-003
(Continued)

The School is required to identify all expenditures that are specifically for the performance of Federal grant services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from federal grant funds. Failure to properly identify allowable costs to the federal program may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.

Officials' Response:

Federal grants are primarily reimbursement grants, necessitating an initial expenditure from the general fund and a reimbursement to the general fund from the federal program. This is most easily accomplished for payroll items by the recording of a journal entry at year-end.

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EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	Notes and financial statements not in compliance with GASB/GAAP	No	Reissued as Finding 2007-001
2006-002	Payroll charges to federal programs comingled and lacked detailed records to determine allowability	No	Reissued as Finding 2007-003
2006-003	Destruction of Records	Yes	

Note: The report that contained the findings above for the year ended June 30, 2006 was issued at the same time as this report. Therefore, many of the comments could not be addressed prior to the issuance of this report.

Mary Taylor, CPA
Auditor of State

EAST END COMMUNITY HERITAGE 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
SEPTEMBER 30, 2010

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