DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY, OHIO

(AUDITED)

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

MICHAEL ASHMORE, TREASURER

Board of Directors
Dohn Community High School
608 E. McMillan Ave
Cincinnati, OH 45206

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

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

Dave Yost

Dave Yost
Auditor of State

March 30, 2018

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DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY, OHIO

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Julian & Grube, Inc.
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Independent Auditor's Report

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Dohn Community High School, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Dohn Community High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dohn Community High School, Hamilton County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the fiscal year ended June 30, 2017, the Dohn Community High School's sponsor was deemed ineffective. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Dohn Community High School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dohn Community High School's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 20, 2017

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

Financial Highlights

- For fiscal year 2017, the net position is $450,026. For year fiscal year 2016, the net position was $335,060. The School is required to report under GASB 68 Accounting and Financial Items Pensions. This results in the fiscal year 2017 net position being reduced by $2,773,766.

- The School derived 99 percent of their revenues through federal and state programs.

- Salaries and benefits accounted for 61 percent of the $5,463,444 in operating expenses for fiscal year 2016, which is five percent higher than fiscal year 2016.

- The School ended the fiscal year with 498 funded students, which is a 33.87% increase over fiscal year 2016.

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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the School's assets, deferred outflows, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position presents information showing how the School's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the School's cash and how it changed during the most recent fiscal year.

Table 1 provides a summary of the School's net position for fiscal year 2017 compared to fiscal year 2016.

Table 1
Net Position

	2017	2016	Change
Assets			
Current assets	$1,305,868	$1,433,729	($127,861)
Capital assets, net	2,498,536	1,886,913	611,623
Total assets	3,804,404	3,320,642	483,762
Deferred Outflows - Pension	1,450,552	669,409	781,143
Liabilities			
Current liabilities	580,612	413,570	167,042
Long term liabilities			
Pension	4,224,318	3,062,239	1,162,079
Total liabilities	4,804,930	3,475,809	1,329,121
Deferred Inflows - Pension	0	179,182	(179,182)
Net Position			
Net investment in capital assets	2,498,536	1,886,913	611,623
Restricted	687,029	831,644	(144,615)
Unrestricted	(2,735,539)	(2,383,497)	(352,042)
Total net position	$450,026	$335,060	$114,966

The School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The current assets decreased as the School spent more than it brought in as significant renovations and maintenance work were completed on the difference properties they own or lease. The capital assets increased as the School worked to renovate the third floor of the main location. The increase in current liabilities is the direct result of the continued growth of the School and hiring more staff. The student population increased over one-third during the past year.

Table 2 shows the change in net position for the year ended 2016 compared to fiscal year 2017.

Table 2
Change in Net Position

	2017	2016	Change
Revenues			
Operating revenues:			
Foundation payments	$3,934,597	$2,911,167	$1,023,430
Classroom fees	9,392	12,158	(2,766)
Charges for services	1,710	541	1,169
Other operating revenues	34,474	23,605	10,869
Non-operating revenues:			
Federal and state grants	1,598,237	597,534	1,000,703
Total revenues	5,578,410	3,545,005	2,033,405
Expenses			
Operating expenses:			
Salaries	2,569,573	1,432,238	1,137,335
Fringe benefits	792,029	392,478	399,551
Purchased services	1,650,534	1,210,739	439,795
Materials and supplies	383,023	166,510	216,513
Depreciation	55,238	34,022	21,216
Other expenses	13,047	10,227	2,820
Total Expenses	5,463,444	3,246,214	2,217,230
Change in Net Position	114,966	298,791	($183,825)
Beginning Net Position	335,060	36,269	
Ending Net Position	$450,026	$335,060	

The School saw revenues increase from 2016 to 2017 as the School increased the enrollment from 372 (funding level) students in 2016 to 498 during 2017 which impacted the foundation payments and some additional grant funding was received. The major increase in state grant revenue is from the success of the 22+ program. The number of adults served increased to 830 from 185 last year. The School did increase the expenses for the current year as there was a need for additional staff members based on the enrollment increase. The School has also reached capacity at the current location and other facilities. The School added another new leased facility during fiscal year 2017. A majority of the increase in purchased services is related to the additional facilities and additional instructional support with the increased student population.

Capital Assets

At the end of 2017, the School had $2,498,536 (net of $868,761 in accumulated depreciation) invested in land, construction in progress, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2017 balances compared to fiscal year 2016:

Table 3
Capital Assets at June 30 (net)

	2017	2016	Change
Land	$19,000	$19,000	$0
Construction in Progress	0	290,411	(290,411)
Building and Improvements	2,428,654	1,568,049	860,605
Furniture and Equipment	50,882	9,453	41,429
Totals	$2,498,536	$1,886,913	$611,623

For more information refer to note 5 of the notes to the financial statements.

Debt

At June 30, 2017, the School's only long-term obligation is related to net pension liability. For more information refer to Note 6 of the notes to the financial statements.

Current Financial Issues

The School continues to increase enrollment annually. The School received funding in 2016 based on 372 FTE students, which increased to 498 as of final 2017 foundation report. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2018 as of October 2017 amounts to $7,489 per student on 575 FTE.

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 the Administrator of the School, 608 E. McMillan Avenue, Cincinnati, Ohio 45206 or call (513) 281-6100.

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF NET POSITION

JUNE 30, 2017

Assets:	
Current assets:	
Cash and cash equivalents	$ 1,107,491
Intergovernmental receivable	198,377
Total current assets	1,305,868
Noncurrent assets:	
Nondepreciable assets	19,000
Depreciable Capital assets	2,479,536
Total noncurrent assets	2,498,536
Total Assets	3,804,404
Deferred Outflows of Resources:	
Pension	1,450,552
Total Deferred Outflows of Resources:	1,450,552
Liabilities:	
Current liabilities	
Accounts payable	145,043
Accrued wages and benefits payable	378,993
Intergovernmental payable	56,576
Total current liabilities	580,612
Long term liabilities	
Net Pension Liability	4,224,318
Total Liabilities	4,804,930
Net Position:	
Investment in capital assets	2,498,536
Restricted	687,029
Unrestricted	(2,735,539)
Total Net Position	$ 450,026

See accompanying notes to the basic financial statements

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2017

Operating Revenues:		
Foundation payments	$	3,934,597
Classroom fees		9,392
Charges for services		1,710
Other operating revenues		34,474
Total operating revenues		3,980,173
Operating Expenses:		
Salaries		2,569,573
Fringe benefits		792,029
Purchased services		1,650,534
Materials and supplies		383,023
Depreciation		55,238
Other operating expenses		13,047
Total operating expenses		5,463,444
Operating Loss		(1,483,271)
Non-Operating Revenues:		
Federal grants		475,761
State grants		1,122,476
Total non-operating revenues		1,598,237
Change in net position		114,966
Net position at beginning of year		335,060
Net position at end of year	$	450,026

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, 2017

Increase (Decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 4,007,416
Cash received from classroom materials and fees	11,102
Cash received from other operating revenues	34,474
Cash payments for personal services	(2,946,258)
Cash payments for contract services	(1,891,517)
Cash payments for supplies and materials	(105,324)
Cash payments for other expenses	(13,047)
Net cash used for operating activities	(903,154)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	1,537,346
Net cash provided by noncapital financing activities	1,537,346
Cash flows from capital and related financing activities:	
Acquisition of Capital Assets	(822,944)
Net cash used for capital and related financing activities	(822,944)
Net change in cash and cash equivalents	(188,752)
Cash and Cash Equivalents at beginning of year	1,296,243
Cash and Cash Equivalents at end of year	1,107,491

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(1,483,271)
Adjustments to reconcile operating loss to net used for operating activities:	
Depreciation	55,238
Change in assets and liabilities:	
Increase in accounts payable	110,447
Increase in accrued wages and benefits	186,630
Increase in intergovernmental payable	26,048
Increase in pension related activities	201,754
Net cash used for operating activities	$ (903,154)

Non-cash transactions:
During fiscal year 2016, the School purchased capital assets on account in the amount of $156,083.

See accompanying notes to the basic financial statements

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 small, personalized, non-traditional school, committed to serving educationally at-risk students in a safe, orderly environment by developing the basic academic, career, and social skills needed to pursue options following graduation. The School qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code. 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 contract for continuing Ohio Charter Schools with the Kids Count of Dayton, Inc. (the Sponsor) for a period of five years commencing July 1, 2007. The contract expired on June 30, 2012 but the Sponsor and School have renewed the agreement for consecutive one year periods. 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 a seven 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, admissions 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 Superintendent serves as a non-voting member of the Board.

The Board hires the Superintendent, who hires all the other staff, and manages the day-to-day operations of the School. The Board controls the School's four instructional/support facility staffed by 51 non-certified, 5 part-time counselors, 3 full-time counselors, 1 director and 31 certified full time teaching personnel who provide services to 498 students (FTE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The School uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, 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, deferred outflows, and all liabilities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs. Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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 contract between the School and 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.

D. Cash and Investments

All monies received by the School are accounted for by the School's treasurer. All cash received is maintained in accounts in the School's name. Monies for the School are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities 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. The School had no investments during fiscal year 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 acquisition values as of the date received. The School maintains a capitalization threshold of fifteen 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 not.

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

Description	Estimated Lives
Building and Improvements	30
Furniture and Equipment	5

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2017 totaled $5,532,834.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

Net position represents the difference between assets/deferred outflows and liabilities. Investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is 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 laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported and disclosures. Accordingly, actual results may differ from those estimates.

I. 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, the State Special Education program and specific charges to the students or users of the School. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Deferred Outflows of Resources

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Pension

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

L. Budget Stabilization Arrangement

The School has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenses out of the budget stabilization reserve can be made to offset future budget deficits or expenses as approved by the Board of Education. At June 30, 2017, the balance in the budget stabilization reserve was $189,690. This amount is included in the restricted net position on the statement of net position.

M. Twenty-two plus program

The School started initially in May 2015 but ramped up during fiscal year 2016 participation in a State of Ohio program referred to as Twenty-Two Plus. The program allows adults to work towards getting their high school degree. The School received state reimbursements for adults participating in the program. For fiscal year 2017, the School received $883,996 while working with 830 adults (increase from 185 in 2016.)

3. DEPOSITS AND INVESTMENTS

At June 30, 2017, the carrying amount of the School's deposits was $1,107,491 and the bank balance was $1,177,728. $250,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC).

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

3. DEPOSITS AND INVESTMENTS (continued)

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. RECEIVABLES

Receivables at June 30, 2017, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full. A summary of the principal items of receivables follows:

Intergovernmental	Amount
Federal Food Subsidy	$983
Twenty-Two Plus Program	187,913
Title VI-B Grant	8,056
Title I Grant	1,189
Title II-A Grant	236
Total	$198,377

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Capital Assets Not Being Depreciated				
Land	$19,000	$0	$0	$19,000
Construction in Progress	290,411	0	(290,411)	0
Total Capital Assets Not Depreciated	309,411	0	(290,411)	19,000
Capital Assets Being Depreciated				
Building and Improvements	2,211,347	908,750	0	3,120,097
Furniture and Equipment	179,678	48,522	0	228,200
Total Capital Assets Being Depreciated	2,391,025	957,272	0	3,348,297
Less Accumulated Depreciation				
Building and Improvements	(643,298)	(48,145)	0	(691,443)
Furniture and Equipment	(170,225)	(7,093)	0	(177,318)
Total Accumulated Depreciation	(813,523)	(55,238)	0	(868,761)
Total Capital Assets Being Depreciated, Net	1,577,502	902,034	0	2,479,536
Capital Assets, Net	$1,886,913	$902,034	($290,411)	$2,498,536

6. DEBT

During the fiscal year 2017, the following changes occurred in long-term debt.

Description	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Due Within One Year
Net Pension Liability					
SERS	$424,471	$569,474	$0	$993,945	0
STRS	2,637,768	592,605	0	3,230,373	0
Total Long Term Liabilities	$3,062,239	$1,162,079	$0	$4,224,318	$0

7. 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 the fiscal year ended 2017, the School contracted with Argonaut Insurance Company for insurance. Coverage provided by Argonaut Insurance Company includes the following with a $1,000 deductible in total:

General Liability:		
Per occurrence		$1,000,000
Personal Injury		1,000,000
Total per year		3,000,000
Automobile Liability		1,000,000
Building and Contents	(total)	4,889,035
High School, High School Annex, 2061 Melrose Avenue		
7710 Reading Road, 415 W. Court Street, 4th Floor		
Avondale Campus		
Excess Liability Umbrella (per occurrence/aggregate)		1,000,000
Employee Dishonesty ($250 deductible)		50,000
Forgery ($250 deductible)		50,000
Money and Securities ($250 deductible)		10,000

Settled claims not have exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Worker's 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.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

8. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. Nothing was allocated to the Health Care Fund for fiscal year 2017.

The School's contractually required contribution to SERS was $154,320 for fiscal year 2017. Of this amount $5,729 is reported as an intergovernmental payable.

8. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

The School's contractually required contribution to STRS was $172,971 for fiscal year 2017. Of this amount $44,564 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability - prior measurement date	0.0074390%	0.00954431%	
Proportion of the Net Pension Liability - current measurement date	0.0135802%	0.00965068%	
Change in proportionate share	0.006141%	0.000106%	
Proportionate Share of the Net Pension Liability	$993,945	$3,230,373	$4,224,318
Pension Expense	$112,696	$243,360	$356,056

8. DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$12,641	$128,977	$141,618
Differences between actual/proportionate share	0	529	529
Net difference between projected and actual earnings on pension plan investments	96,988	297,885	394,873
Changes in proportion share	305,758	214,132	519,890
Changes in assumptions	66,351	0	66,351
School District contributions subsequent to the measurement date	154,320	172,971	327,291
Total Deferred Outflows of Resources	$636,058	$814,494	$1,450,552

$327,291 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$165,292	$146,858	$312,150
2019	165,293	146,857	312,150
2020	127,586	235,447	363,033
2021	23,567	112,361	135,928
Total	$481,738	$641,523	$1,123,261

Actuarial Assumptions - SERS

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

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

8. DEFINED BENEFIT PENSION PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$1,315,922	$993,945	$724,438

8. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Allocation	Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.5 and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$4,292,904	$3,230,373	$2,334,066

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

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were $0, $4,003 and $3,409, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

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

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

9. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS allocated 0 percent of the employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0 respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

10. OTHER EMPLOYEE BENEFITS

Full-time teachers are entitled to eight days of sick leave a year. Administrative staff, including the administrative assistant, are entitled to eight days of sick leave a year. Full-time employees receive two personal days per calendar year. Part-time employees receive no personal days per calendar year. Unused personal days are forfeited.

The School provides life insurance to all employees through a private carrier. Coverage in the amount of $20,000 is provided to all full-time certified and non-certified employees.

11. RESTRICTED ASSETS

At June 30, 2017 the School reported restricted net position for:

Budget Reserve	$189,690
Twenty-two Plus Program	486,778
Food Service	5,036
Blanche Dohn Scholarship	5,525
Total	$687,029

12. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2017.

B. School Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with Kids Count of Dayton, Inc. requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliations necessary with this contract, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

13. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the School implemented the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatements Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*

The implementation of these standards had no impact on the financial position of the School.

14. PURCHASED SERVICES

For the period July 1, 2016 through June 30, 2017, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	$1,346,068
Utilities	68,630
Communications	20,116
Property Services	41,979
Food Service	81,645
Other	92,096
Total Purchased	$1,650,534

15. SUBSEQUENT EVENT

The Academy entered into a line of credit with PNC Bank for leasehold renovations to the 4100 Reading Road Facility. The Academy received $249,000 on August 18, 2017. As of November 4, 2017 the outstanding balance was $246,264.

16. SPONSOR REVIEW

The Ohio Department of Education (ODE) performed a review on the School’s sponsor and deemed them ineffective. Due to this determination, the School’s sponsor may be required to cease future operations if certain improvements are not made. However, the effect on the School is unknown at the current time.

REQUIRED SUPPLEMENTARY INFORMATION

Dohn Community High School (the "School")
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.0135802%	0.007439%	0.005438%	0.005438%
The School's Proportion Share of the Net Pension Liability	$ 993,945	$ 424,471	$ 275,214	$ 323,380
The School's Covered-Employee Payroll	366,521	217,985	145,346	143,569
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	271.18%	194.72%	189.35%	225.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Amount presented as of the School's measurement date, which is the prior fiscal year.

Dohn Community High School (the "School")
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.00965068%	0.00954431%	0.00823986%	0.00823986%
The School's Proportion Share of the Net Pension Liability	$ 3,230,373	$ 2,637,768	$ 2,004,219	$ 2,387,413
The School's Covered-Employee Payroll	934,479	882,247	871,785	668,962
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	345.69%	298.98%	229.90%	356.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

Amount presented as of the School's measurement date, which is the prior fiscal year.

Dohn Community High School (the "School")
Required Supplementary Information
Schedule of School's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 154,320	$ 51,313	$ 28,730	$ 20,145	$ 19,870	$ 12,411	$ 9,809	$ 8,123	$ 5,598	$ 11,472
Contributions in Relation to the Contractually Required Contribution	(154,320)	(51,313)	(28,730)	(20,145)	(19,870)	(12,411)	(9,809)	(8,123)	(5,598)	(11,472)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The School Covered-Employee Payroll	$ 1,102,286	$ 366,521	$ 217,985	$ 145,346	$ 143,569	$ 92,275	$ 78,035	$ 59,993	$ 56,890	$ 116,823
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Dohn Community High School (the "School")
Required Supplementary Information
Schedule of School's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 172,971	$ 130,827	$ 123,515	$ 113,332	$ 86,965	$ 83,355	$ 70,611	$ 60,581	$ 45,696	$ 45,357
Contributions in Relation to the Contractually Required Contribution	(172,971)	(130,827)	(123,515)	(113,332)	(86,965)	(83,355)	(70,611)	(60,581)	(45,696)	(45,357)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 1,235,507	$ 934,479	$ 882,247	$ 871,785	$ 668,962	$ 641,192	$ 543,162	$ 466,008	$ 351,508	$ 348,900
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Dohn Community High School, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Dohn Community High School's basic financial statements and have issued our report thereon dated December 20, 2017, wherein we noted as described in Note 16 the Dohn Community High School's sponsor was deemed ineffective.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Board of Directors
Dohn Community High School

Compliance and Other Matters

As part of reasonably assuring whether the Dohn Community High School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Dohn Community High School's Response to Finding

The Dohn Community High School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Dohn Community High School's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 20, 2017

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017

FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Significant Deficiency - Payroll Account Reconciliations

The payroll account reconciliation is the responsibility of management and is an important part of the School's overall purpose. Payroll account reconciliations require internal controls to help ensure the accuracy of the activity reported.

The School's payroll account did not have evidence the account had been properly reconciled during the fiscal year ended June 30, 2017.

Reconciliation of the School's major accounts is an important process to ensure the financial statements and the related disclosures are fairly presented, as potential users and residents of the School may use this information to make decisions that could affect the School.

We recommend the custodian of this account reconcile the account each month. We further recommend the reconciliations and supporting documentation be turned into the Treasurer's office for review and we suggest the Treasurer's office consider random surprise audits of each bank account to help ensure its proper use in accordance with Board policy guidelines.

Client Response: The School has begun to develop a process to assist with the reconciliation in the future. During the current year, the School began maintaining files to better assist with the reconciliation process and plans to begin performing the complete reconciliation during fiscal year 2018.

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY, OHIO

STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2016-001	Significant Deficiency - Payroll Account Reconciliations - The payroll account reconciliation is the responsibility of management and is an important part of the School's overall purpose. Payroll account reconciliation requires internal controls to help ensure the accuracy of the activity reported. The School's payroll account did not have evidence that the account had been properly reconciled during the fiscal year ended June 30, 2016.	No	Repeated as finding 2017-001

Dave Yost • 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
APRIL 12, 2018

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