EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

June 30, 2005

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Board of Trustees
East End Community Heritage School
P.O. Box 9889
Cincinnati, Ohio 45209

We have reviewed the *Independent Auditors' Report* of the East End Community Heritage School, Hamilton County, prepared by VonLehman and Company, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 28, 2008

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HAMILTON COUNTY
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INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
East End Community Heritage School
Hamilton County

We have audited the accompanying financial statements of the business-type activities of the East End Community Heritage School, Hamilton County, as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of East End Community Heritage School, Hamilton County, management. Our responsibility is to express, an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East End Community Heritage School, Hamilton County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006, on our consideration of the East End Community Heritage School, Hamilton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 4 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
March 17, 2006

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EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the East End Community Heritage School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2005. 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 $83,153 which represents a 24 percent decrease from 2004. This decrease was due to expenses being greater than revenues.

- Total assets decreased $120,124, which represents a 23 percent decrease from 2004. This was primarily due to a decrease in intergovernmental receivables.

- Liabilities decreased $36,971, which represents a 21 percent decrease from 2004. This decrease was due to a decrease in lease payables and accounts payable.

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.

The Statement of Net Assets and Statement of Activities answers the question, "How did we do financially during 2005?"

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2005 and fiscal year 2004:

Table 1
Net Assets

	2005	2004
Assets		
Current Assets	$ 373,842	$ 490,906
Capital Assets, Net	28,609	31,669
Total Assets	402,451	522,575
Liabilities		
Current Liabilities	136,487	173,458
Total Liabilities	136,487	173,458
Net Assets		
Invested in Capital Assets	28,609	31,669
Unrestricted	237,355	317,448
Total Net Assets	$ 265,964	$ 349,117

Total assets decreased $120,124. This decrease was primarily due to

- decrease in cash of $47,929.
- decrease in intergovernmental receivable of $66,060.

Total liabilities decreased $36,971. This decrease was primarily due to a decrease in accounts payable of $35,787.

Table 2 shows the changes in net assets for fiscal year 2005 and fiscal year 2004, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2005	2004
Operating Revenues		
Foundation Payments	$ 1,082,527	$ 1,054,664
Disadvantaged Pupil Impact Aid	62,865	73,231
State Special Education	146,669	175,444
Revenue from Sponsor	381,560	353,877
Other	9,051	7,681
Non-Operating Revenues		
Federal and State Grants	471,907	374,024
Total Revenues	2,154,579	2,038,921
Operating Expenses		
Salaries	1,062,445	951,405
Fringe Benefits	412,249	306,414
Purchased Services	624,423	566,615
Materials and Supplies	125,993	135,517
Depreciation	10,940	12,850
Other Expenses	1,682	77,972
Total Expenses	2,237,732	2,050,773
Change in Net Assets	$ (83,153)	$ (11,852)

Net assets decreased from 2004 to 2005. Additionally, the amount of decrease in net assets was $71,301 higher when compared to 2004. This was primarily due to increased expenditures for salaries and benefits. There was an increase in revenues of $115,658 and an increase in expenses of $186,959 from 2004. Of the increase in revenues, the foundation payments and sponsor payments both increased by $27,683. Community Schools receive no support from tax revenues.

The expense for salaries increased by $111,040 and the expense for fringe benefits increased by $105,835 due to an increase in staff during fiscal year 2005. Purchased services expenses increased $57,808 due to increases in psychological testing, building operations, and rent. Depreciation expense decreased by $1,910 due to some computers reaching full depreciation during the current year. According to the School's capital asset policy, depreciation is expensed for new capital assets in each month beginning in the month they are purchased.

Capital Assets

At the end of fiscal year 2005 the School had $66,521 invested in furniture, fixtures, and equipment, computers, and textbooks which represented an increase of $7,880 from 2004. Table 3 shows fiscal year 2005 and fiscal year 2004.

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

	2005	2004
Furniture, Fixtures and Equipment	$ 14,288	$ 5,540
Computers	6,276	15,849
Textbooks	8,045	10,280
Totals	$ 28,609	$ 31,669

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 2004-2005 school year, there were approximately 200 students enrolled in the School. The School receives its finances mostly from state aide. Per pupil aide for fiscal year 2005 amounted to $6,506 per student. The average number of years experience for teachers was 8 years.

Contacting the School's Financial Management

This financial report is designed to provide our citizens 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

ASSETS

		June 30, 2005
Current Assets		
Cash	$	272,486
Sponsor Receivable		97,000
Employee Advances		4,356
Total Current Assets		373,842
Noncurrent Assets		
Capital Assets		66,521
Less Accumulated Depreciation		37,912
Total Noncurrent Assets		28,609
Total Assets		402,451

LIABILITIES

Current Liabilities		
Accounts Payable		18,104
Accrued Wages and Benefits		103,389
Intergovernmental Payable		14,994
Total Liabilities		136,487
Net Assets		
Invested in Capital Assets		28,609
Unrestricted		237,355
Total Net Assets	$	265,964

See accompanying notes.

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

		Year Ended June 30, 2005
Operating Revenues		
Foundation Payments	$	1,082,527
State Special Education		146,669
Disadvantaged Pupil Impact Aid		62,865
Receipts from Sponsor		381,560
Intervention Funds		9,051
Total Operating Revenues		1,682,672
Operating Expenses		
Salaries		1,062,445
Fringe Benefits		412,249
Purchased Services		624,423
Materials and Supplies		125,993
Depreciation		10,940
Other Operating Expenses		1,682
Total Operating Expenses		2,237,732
Operating Loss		(555,060)
Non-Operating Revenues		
Fundraising Income		23,947
Other Federal and State Grants		447,960
Total Non-Operating Revenues		471,907
Change in Net Assets		(83,153)
Net Assets July 1, 2004		349,117
Net Assets June 30, 2005	$	265,964

See accompanying notes.

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

	Year Ended June 30, 2005
Cash Flows From Operating Activities	
Cash Received from	
Sponsor	$ 386,958
State of Ohio	1,358,121
Intervention	9,051
Cash Paid to/for	
Employee	(1,473,908)
Supplies	(785,573)
Other Activities	(1,682)
Net Cash Used by Operating Activities	(507,033)
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies Received	
Operating Grants Received	447,960
Fundraising Income	23,947
Net Cash Provided by Noncapital Financing Activities	471,907
Cash Flows from Capital Financing Activities	
Payments for Capital Acquisitions	(7,880)
Payments on Loan Payable	(2,600)
Net Cash Used by Capital Financing Activities	(10,480)
Cash Flows from Investing Activities	
Increase in Employee Advances	(2,323)
Net Change in Cash	(47,929)
Cash and Cash Equivalents July 1, 2004	320,415
Cash and Cash Equivalents June 30, 2005	$ 272,486
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities	
Operating Loss	$ (555,060)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	10,940
Changes in Assets and Liabilities	
Decrease in Sponsor Receivable	5,398
Decrease in Intergovernmental Receivables	66,060
Decrease in Accounts Payable	(35,787)
Increase in Accrued Wages	786
Increase in Intergovernmental Payable	630
Net Cash Used by Operating Activities	$ (507,033)

See accompanying notes.

EAST END COMMUNITY HERITAGE SCHOOL
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 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 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Cincinnati Public School District (the Sponsor) for a period of five years commencing July 1, 1999. The contract was extended for fiscal year 2005. 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. In fiscal year 2006, the School signed a contract with a new sponsor, Educational Resource Consultants of Ohio.

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 17 certified full time teaching personnel who provide services to 205 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued 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.

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.

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.

NOTE 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.

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.

Prepaid Items

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

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 useful lives:

Furniture, Fixtures and Equipment	5 Years
Computers	3 Years
Textbooks	7 Years

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.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 3 – CASH AND CASH EQUIVALENTS

The carrying amount of the School's deposits with financial institutions was $272,486, and the bank balance was $311,784. Of that amount, $100,666 was insured by the FDIC. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the School's deposits. Cash and cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less and certificates of deposit.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005, consisted of sponsor grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

	Amounts
Sponsor	$ 97,000

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures and Equipment	$ 22,840	$ -	$ -	$ 22,840
Computers	20,154	7,880	-	28,034
Textbooks	15,647	-	-	15,647
Total Capital Assets Being Depreciated	58,641	7,880	-	66,521
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(17,300)	(4,458)	-	(21,758)
Computers	(4,305)	(4,247)	-	(8,552)
Textbooks	(5,367)	(2,235)	-	(7,602)
Total Accumulated Depreciation	(26,972)	(10,940)	-	(37,912)
Total Capital Assets Being Depreciated, Net	31,669	(3,060)	-	28,609
Business-Type Activity Capital Assets, Net	$ 31,669	$ (3,060)	$ -	$ 28,609

NOTE 6 - RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School contracted with an insurance carrier 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 two years.

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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 financial report that includes financial statements and required supplementary information. The stand-alone 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 (614) 222-5853.

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 2005, 10.57 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, 2005, 2004, and 2003 were $43,808, $37,891, and $14,411, respectively; 96 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 totaling $1,658 is recorded as a liability.

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.

NOTE 7 - 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 all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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, 2001. 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 members account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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, 2005, 2004, and 2003 were $103,842, $77,938, and $73,194, respectively; 89 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 totaling $11,038 is recorded as a liability.

NOTE 8 - 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 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, 2005, the STRS Board allocated employer contributions equal to 1 % of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $113,508 for fiscal year 2005.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STIRS were $268,739,000 and STIRS had 111,853 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 premiums for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at $27,400, however, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled $13,019.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 9 - EMPLOYEE BENEFITS

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.

Insurance Benefits

The School provides life and medical/surgical benefits to most employees. The School also provides dental benefits to most employees.

NOTE 10 - CONTINGENCIES

Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2005.

NOTE 10 – CONTINGENCIES (Continued)

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 2005, the review was completed in April, 2005. For the School, there was an insignificant variance between the amount received to date and the final payment in 2004; an insignificant variance is expected for fiscal year 2005 also. This variance will have no effect on the financial standing of the School.

Litigation

The suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) school's program violates the state Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the School is not presently determinable.

NOTE 11 – OPERATING LEASE

The School leases a building form the Cincinnati Public School District. The lease payments are $4,998 a month payable in ten monthly installments totaling $49,980 a year, with a 2% credit allotted for the space occupied by a CPS sponsored program. The School paid $59,976 for fiscal year 2005 and has a payable of $14,994 at June 30, 2005.

NOTE 12 – PURCHASED SERVICES

For the year ended June 30, 2005, purchased service expenses were comprised of the following:

Professional Development	$ 35,341
Accounting & Business Services	40,242
Printing & Reproduction	332
Postage & Delivery	1,427
Rent	59,976
Communications	68,835
Cafeteria Upgrades	5,697
Professional & Technical	345,961
Property Services	60,358
Miscellaneous	6,254
Total	$ 624,423

VON LEHMAN + COMPANY INC.

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

State Committee for School District Audits
East End Community Heritage School, Hamilton County
Cincinnati, Ohio

We have audited the financial statements of the business-type activities for the East End Community Heritage School, Hamilton County as of and for the year ended June 30, 2005, and have issued our report thereon dated March 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements included as an appendix to the state audit contract.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the East End Community Heritage School, Hamilton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the East End Community Heritage School, Hamilton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of the School in a separate report dated March 17, 2006.

This report is intended solely for the information and use of the management, Board of Trustees, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
March 17, 2006

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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
APRIL 10, 2008

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