

**DOHN COMMUNITY HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

*(AUDITED)*

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016*

**MICHAEL ASHMORE, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Dohn Community High School  
608 E. McMilan Street  
Cincinnati, Ohio 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, 2015 through June 30, 2016. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 9, 2017

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**DOHN COMMUNITY HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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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, 2016, 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 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 the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Dohn Community High School, Hamilton County, Ohio, as of June 30, 2016, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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, 2016, 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.  
December 20, 2016

**DOHN COMMUNITY HIGH SCHOOL**  
**Hamilton County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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, 2016. The intent of this discussion and analysis is to look at the School's 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 2016, the net position is \$335,060. For year fiscal year 2015, the net position was \$36,269. The School is required to report under GASB 68 Accounting and Financial Items Pensions. This results in the fiscal year 2016 net position being reduced by \$2,572,012.
- The School derived 99 percent of their revenues through federal and state programs.
- Salaries and benefits accounted for 56 percent of the \$3,246,214 in operating expenses for fiscal year 2016, which is ten percent lower than fiscal year 2015.
- The School ended the fiscal year with 372 funded students, which is a 19.61% increase over fiscal year 2015.

**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, liabilities and deferred inflows, 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.

**DOHN COMMUNITY HIGH SCHOOL**  
**Hamilton County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

Table 1 provides a summary of the School's net position for fiscal year 2016 compared to fiscal year 2015.

<b>Table 1</b>			
<b>Net Position</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Assets</b>			
Current assets	\$1,433,729	\$1,260,994	\$172,735
Capital assets, net	1,886,913	1,630,524	256,389
<i>Total assets</i>	3,320,642	2,891,518	429,124
<b>Deferred Outflows - Pension</b>	669,409	195,182	474,227
<b>Liabilities</b>			
Current liabilities	413,570	355,542	58,028
Long term liabilities			
Pension	3,062,239	2,279,433	782,806
<i>Total liabilities</i>	3,475,809	2,634,975	840,834
<b>Deferred Inflows - Pension</b>	179,182	415,456	(236,274)
<b>Net Position</b>			
Net investment in capital assets	1,886,913	1,630,524	256,389
Restricted	831,644	818,671	12,973
Unrestricted	(2,383,497)	(2,412,926)	29,429
<i>Total net position</i>	\$335,060	\$36,269	\$298,791

During 2015, 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.

**DOHN COMMUNITY HIGH SCHOOL**  
**Hamilton County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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.

**DOHN COMMUNITY HIGH SCHOOL**  
**Hamilton County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

The current assets increased as the School was able to generate additional revenue through increased enrollment that increased the cash balance by \$101,034. The capital assets increased as the School worked to renovate the third floor of the main location. This also resulted in an increase in current liabilities as the School reported over \$156,000 in contracts payable.

Table 2 shows the change in net position for the year ended 2015 compared to fiscal year 2016.

**Table 2**  
**Change in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Revenues</b>			
Operating revenues:			
Foundation payments	\$2,911,167	\$2,435,751	\$475,416
Classroom fees	12,158	15,288	(3,130)
Charges for services	541	930	(389)
Other operating revenues	23,605	17,764	5,841
Non-operating revenues:			
Federal and state grants	597,534	418,293	179,241
Total revenues	<u>3,545,005</u>	<u>2,888,026</u>	<u>656,979</u>
<b>Expenses</b>			
Operating expenses:			
Salaries	1,432,238	1,265,302	166,936
Fringe benefits	392,478	221,632	170,846
Purchased services	1,210,739	655,158	555,581
Materials and supplies	166,510	74,534	91,976
Depreciation	34,022	28,241	5,781
Other expenses	10,227	4,494	5,733
Non-Operating Expenses:			
Interest and fiscal charges	0	236	(236)
Total Expenses	<u>3,246,214</u>	<u>2,249,597</u>	<u>996,617</u>
Change in Net Position	298,791	638,429	<u>(\$339,638)</u>
Beginning Net Position	<u>36,269</u>	<u>(602,160)</u>	
Ending Net Position	<u>\$335,060</u>	<u>\$36,269</u>	

**DOHN COMMUNITY HIGH SCHOOL**  
**Hamilton County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

The School saw revenues increase from 2015 to 2016 as the School increased the enrollment from 311 (funding level) students in 2015 to 372 during 2016 which impacted the foundation payments and some additional grant funding was received. 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 added a new facility during fiscal year 2015 with another new facility in fiscal year 2016. 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 2016, the School had \$1,886,913 (net of \$813,523 in accumulated depreciation) invested in land, construction in progress, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2016 balances compared to fiscal year 2015:

Table 3  
Capital Assets at June 30 (net)

	2016	2015	Change
Land	\$19,000	\$19,000	\$0
Construction in Progress	290,411	0	290,411
Building and Improvements	1,568,049	1,599,409	(31,360)
Furniture and Equipment	9,453	12,115	(2,622)
Totals	\$1,886,913	\$1,630,524	\$256,389

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

**Debt**

At June 30, 2016, 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 2015 based on 311 FTE students, which increased to 372 as of final 2016 foundation report. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2017 as of November 2016 amounts to \$7,807 per student on 465 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, 2016**

**Assets:**

Current assets:

Cash and cash equivalents	\$ 1,296,243
Intergovernmental receivable	137,486
Total current assets	<u>1,433,729</u>

Noncurrent assets:

Nondepreciable assets	309,411
Depreciable Capital assets	1,577,502
Total noncurrent assets	<u>1,886,913</u>

**Total Assets** 3,320,642

**Deferred Outflows of Resources:**

Pension	<u>669,409</u>
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**Total Deferred Outflows of Resources:** 669,409

**Liabilities:**

Current liabilities

Accounts payable	34,596
Contracts payable	156,083
Accrued wages and benefits payable	192,363
Intergovernmental payable	30,528
Total current liabilities	<u>413,570</u>

Long term liabilities

Net Pension Liability	<u>3,062,239</u>
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**Total Liabilities** 3,475,809

**Deferred Inflows of Resources:**

Pension	<u>179,182</u>
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**Total Deferred Inflows of Resources:** 179,182

**Net Position:**

Investment in capital assets	1,886,913
Restricted	831,644
Unrestricted	<u>(2,383,497)</u>

**Total Net Position** \$ 335,060

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, 2016**

<b>Operating Revenues:</b>	
Foundation payments	\$ 2,911,167
Classroom fees	12,158
Charges for services	541
Other operating revenues	<u>23,605</u>
<b>Total operating revenues</b>	<u>2,947,471</u>
<b>Operating Expenses:</b>	
Salaries	1,432,238
Fringe benefits	392,478
Purchased services	1,210,739
Materials and supplies	166,510
Depreciation	34,022
Other operating expenses	<u>10,227</u>
<b>Total operating expenses</b>	<u>3,246,214</u>
Operating Loss	<u>(298,743)</u>
<b>Non-Operating Revenues:</b>	
Federal grants	313,191
State grants	<u>284,343</u>
<b>Total non-operating revenues</b>	<u>597,534</u>
<b>Change in net position</b>	298,791
Net position at beginning of year	<u>36,269</u>
Net position at end of year	<u><u>\$ 335,060</u></u>

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, 2016**

**Increase (Decrease) in cash and cash equivalents**

**Cash flows from operating activities:**

Cash received from State of Ohio - Foundation	\$ 2,811,883
Cash received from classroom materials and fees	13,179
Cash received from other operating revenues	23,605
Cash payments for personal services	(1,751,189)
Cash payments for contract services	(1,298,240)
Cash payments for supplies and materials	(69,383)
Cash payments for other expenses	<u>(10,227)</u>
Net cash used for operating activities	<u>(280,372)</u>

**Cash flows from noncapital financing activities:**

Cash received from state and federal grants	<u>525,353</u>
Net cash provided by noncapital financing activities	<u>525,353</u>

**Cash flows from capital and related financing activities:**

Acquisition of Capital Assets	<u>(143,947)</u>
Net cash used for capital and related financing activities	<u>(143,947)</u>

Net change in cash and cash equivalents	101,034
Cash and Cash Equivalents at beginning of year	<u>1,195,209</u>
Cash and Cash Equivalents at end of year	<u><u>1,296,243</u></u>

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

Operating loss	(298,743)
Adjustments to reconcile operating loss to net used for operating activities:	
Depreciation	34,022
Change in assets and liabilities:	
Decrease in accounts receivable	480
Increase in accounts payable	10,106
Increase in accrued wages and benefits	6,976
Decrease in intergovernmental payable	(105,518)
Increase in pension related activities	<u>72,305</u>

Net cash used for operating activities	<u><u>\$ (280,372)</u></u>
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Non-cash transactions:

During fiscal year 2016, the School purchased capital assets on account in the amount of \$156,083. During fiscal year 2015, the School purchased capital assets on account in the amount of \$9,619.

See accompanying notes to the basic financial statements

# **DOHN COMMUNITY HIGH SCHOOL**

## **Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### **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 one instructional/support facility staffed by 13 non-certified, 4 part-time counselors and 26 certified full time teaching personnel who provide services to 372 students (FTE).

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### 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, all liabilities, and deferred inflows 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 2016.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**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 fair market 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:

<u>Description</u>	<u>Estimated Lives</u>
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, 2016 totaled \$3,508,701.

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. 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 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/Inflows 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.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 8)

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows 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, 2016, the balance in the budget stabilization reserve was \$756,065. 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 2016, the School received \$142,371 while working with 185 adults.

**3. DEPOSITS AND INVESTMENTS**

At June 30, 2016, the carrying amount of the School's deposits was \$1,296,243 and the bank balance was \$1,314,222. \$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.

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

#### 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, 2016, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Intergovernmental</u>	<u>Amount</u>
Federal Food Subsidy	\$2,895
Twenty-Two Plus Program	74,784
Title VI-B Grant	7,407
Title I Grant	28,782
Title II-A Grant	23,618
Total	<u>\$137,486</u>

#### 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>
Capital Assets Not Being Depreciated				
Land	\$19,000	\$0	\$0	\$19,000
Construction in Progress	0	290,411	0	290,411
Total Capital Assets Not Depreciated	<u>19,000</u>	<u>290,411</u>	<u>0</u>	<u>309,411</u>
Capital Assets Being Depreciated				
Building and Improvements	2,211,347	0	0	2,211,347
Furniture and Equipment	179,678	0	0	179,678
Total Capital Assets Being Depreciated	<u>2,391,025</u>	<u>0</u>	<u>0</u>	<u>2,391,025</u>
Less Accumulated Depreciation				
Building and Improvements	(611,938)	(31,360)	0	(643,298)
Furniture and Equipment	(167,563)	(2,662)	0	(170,225)
Total Accumulated Depreciation	<u>(779,501)</u>	<u>(34,022)</u>	<u>0</u>	<u>(813,523)</u>
Total Capital Assets Being Depreciated, Net	<u>1,611,524</u>	<u>(34,022)</u>	<u>0</u>	<u>1,577,502</u>
Capital Assets, Net	<u>\$1,630,524</u>	<u>\$256,389</u>	<u>\$0</u>	<u>\$1,886,913</u>

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**6. DEBT**

During the fiscal year 2016, the following changes occurred in long-term debt.

<b>Description</b>	<b>Balance 06/30/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/16</b>	<b>Due Within One Year</b>
Net Pension Liability					
SERS	\$275,214	\$149,257	\$0	\$424,471	0
STRS	2,004,219	633,549	0	2,637,768	0
Total Long Term Liabilities	\$2,279,433	\$782,806	\$0	\$3,062,239	\$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 2016, 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)	4,587,035
High School	
High School Annex	
2061 Melrose Avenue	
7710 Reading Road	
415 W. Court Street, 4 <sup>th</sup> Floor	
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.

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### 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.

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 both the accrual and modified accrual bases of accounting.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**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](http://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	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. 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School’s contractually required contribution to SERS was \$51,313 for fiscal year 2016. Of this amount \$6,508 is reported as an intergovernmental payable.

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### 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](http://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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, member contributions are allocated among investment choices by the member, and employer contributions 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 at age 50.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**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 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 bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$130,827 for fiscal year 2016. Of this amount \$18,951 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, 2015, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$424,471	\$2,637,768	\$3,062,239
Proportion of the Net Pension Liability	0.007439%	0.00954431%	
Pension Expense	\$41,372	\$126,999	\$168,371

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**8. DEFINED BENEFIT PENSION PLANS (continued)**

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 31,763	\$ -	\$ 31,763
Differences between expected and actual experience	6,190	117,957	124,147
Difference between School contributions and proportionate share of contributions	0	793	793
Changes in proportionate share	76,745	253,821	330,566
School contributions subsequent to the measurement date	<u>51,313</u>	<u>130,827</u>	<u>182,140</u>
Total Deferred Outflows of Resources	<u>\$ 166,011</u>	<u>\$ 503,398</u>	<u>\$ 669,409</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$33,501</u>	<u>\$145,681</u>	<u>\$179,182</u>

\$182,140 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$23,303	\$34,821	\$58,124
2018	23,303	34,821	58,124
2019	23,279	34,821	58,100
2020	<u>11,312</u>	<u>122,427</u>	<u>133,739</u>
Total	<u>\$81,197</u>	<u>\$226,890</u>	<u>\$308,087</u>

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**8. DEFINED BENEFIT PENSION PLANS (continued)**

*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.

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**8. DEFINED BENEFIT PENSION PLANS (continued)**

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. 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		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**8. DEFINED BENEFIT PENSION PLANS (continued)**

*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 7.75 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 (6.75 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	\$588,589	\$424,471	\$286,270

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
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, 2015, 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:

**DOHN COMMUNITY HIGH SCHOOL**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**8. DEFINED BENEFIT PENSION PLANS (continued)**

Asset Class	Target Allocation	Long-Term Expected 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
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**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	\$3,664,059	\$2,637,768	\$1,769,886

# DOHN COMMUNITY HIGH SCHOOL

## Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

### 9. POSTEMPLOYMENT BENEFITS

#### A. School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School's surcharge obligation was \$4,003.

The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$4,003, \$3,409, and \$1,384 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**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](http://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 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The School’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$8,718 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**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, 2016 the School reported restricted net position for:

Budget Reserve	\$756,054
Twenty-two Plus Program	70,065
Blanche Dohn Scholarship	5,525
Total	<u>\$831,644</u>

**DOHN COMMUNITY HIGH SCHOOL**

**Hamilton County**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**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, 2016.

**B. School Funding**

The School's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, the School must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

**13. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2016, the School implemented the Governmental Accounting Standards Board (GASB) Statements No. 72 Fair Value Measurement and Application and No. 73 Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The implementation of these two standards has no impact on the beginning net position of the School.

**14. PURCHASED SERVICES**

For the period July 1, 2015 through June 30, 2016, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$966,983
Utilities	58,307
Communications	19,694
Property Services	40,367
Food Service	50,992
Other	74,396
Total Purchased	<u>\$1,210,739</u>

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 Three Fiscal Years (1)

	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.007439%	0.005438%	0.005438%
The School's Proportion Share of the Net Pension Liability	\$ 424,471	\$ 275,214	\$ 323,380
The School's Covered-Employee Payroll	217,985	145,346	143,569
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	194.72%	189.35%	225.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Three Fiscal Years (1)

	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.00954431%	0.00823986%	0.00823986%
The School's Proportion Share of the Net Pension Liability	\$ 2,637,768	\$ 2,004,219	\$ 2,387,413
The School's Covered-Employee Payroll	882,247	871,785	668,962
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	298.98%	229.90%	356.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 51,313	\$ 28,730	\$ 20,145	\$ 19,870	\$ 12,411	\$ 9,809	\$ 8,123	\$ 5,598	\$ 11,472	\$ 8,884
Contributions in Relation to the Contractually Required Contribution	(51,313)	(28,730)	(20,145)	(19,870)	(12,411)	(9,809)	(8,123)	(5,598)	(11,472)	(8,884)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Covered-Employee Payroll	\$ 366,521	\$ 217,985	\$ 145,346	\$ 143,569	\$ 92,275	\$ 78,035	\$ 59,993	\$ 56,890	\$ 116,823	\$ 83,184
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 130,827	\$ 123,515	\$ 113,332	\$ 86,965	\$ 83,355	\$ 70,611	\$ 60,581	\$ 45,696	\$ 45,357	\$ 44,927
Contributions in Relation to the Contractually Required Contribution	(130,827)	(123,515)	(113,332)	(86,965)	(83,355)	(70,611)	(60,581)	(45,696)	(45,357)	(44,927)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Academy Covered-Employee Payroll	\$ 934,479	\$ 882,247	\$ 871,785	\$ 668,962	\$ 641,192	\$ 543,162	\$ 466,008	\$ 351,508	\$ 348,900	\$ 345,592
Contributions as a Percentage of Covered- Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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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, 2016, 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, 2016.

#### ***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 2016-001 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 communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 20, 2016

**DOHN COMMUNITY HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

<b>FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	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.

Reconciliation of the School's major accounts is an important process to ensure that 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 that 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 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: All account reconciliations, including the payroll account, are being done monthly.

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# 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  
FEBRUARY 21, 2017**