

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

(AUDITED)

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2018*

OHIO AUDITOR OF STATE KEITH FABER



Board of Directors
Dohn Community High School
608 E. McMillan 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, 2017 through June 30, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 19, 2019

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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, 2018, and the related notes to the financial statements, which collectively comprise the Dohn Community High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Dohn Community High School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Dohn Community High School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 financial position of the Dohn Community High School, Hamilton County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13 to the financial statements, during fiscal year 2018, the Dohn Community High School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

As discussed in Note 15 to the financial statements, during fiscal year 2018, the Dohn Community High School had current liabilities exceeding current assets. Management's plan regarding this matter is described in Note 15. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 27, 2018, 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 27, 2018

DOHN COMMUNITY HIGH SCHOOL
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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 2018, the net position is \$115,687. For year fiscal year 2017, the net position was \$(591,816). The School is required to report under GASB 68 Accounting and Financial Items Pensions and GASB 75 Accounting and Financial for Post Employment Items other than Pensions. This results in the fiscal year 2018 net position being reduced by \$2,821,964.
- The School derived 98 percent of their revenues through federal and state programs.
- Salaries accounted for 58 percent of the \$6,330,945 in operating expenses for fiscal year 2017, which is still 16 percent higher than fiscal year 2017 despite the reporting of negative pension/OPEB expense as reported by the State Teachers' Retirement System of \$1,280,689.
- The School ended the fiscal year with 602 funded students, which is a 20.88% increase over fiscal year 2017.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of four components: the management discussion and analysis, the basic financial statements, notes to those statements and required supplementary information. 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 those 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, 2018
(Unaudited)

Table 1 provides a summary of the School's net position for fiscal year 2018 compared to fiscal year 2017.

Table 1			
Net Position			
	2018	Restated 2017	Change
Assets			
Current assets	\$626,564	\$1,305,868	(\$679,304)
Capital assets, net	3,365,621	2,498,536	867,085
<i>Total assets</i>	3,992,185	3,804,404	187,781
Deferred Outflows	3,730,461	1,450,552	2,279,909
Liabilities			
Current liabilities	842,984	580,612	262,372
Long term liabilities			
Other long-term liabilities	211,550	0	211,550
OPEB	1,387,029	1,041,842	345,187
Pension	4,908,211	4,224,318	683,893
<i>Total liabilities</i>	7,349,774	5,846,772	1,503,002
Deferred Inflows	257,185	0	257,185
Net Position			
Net investment in capital assets	3,133,194	2,498,536	634,658
Restricted	334,589	687,029	(352,440)
Unrestricted	(3,352,096)	(3,777,381)	425,285
<i>Total net position</i>	\$115,687	(\$591,816)	\$707,503

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

DOHN COMMUNITY HIGH SCHOOL
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

DOHN COMMUNITY HIGH SCHOOL
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also has the effect of restating net position at June 30, 2017 from \$450,026 to (\$591,816).

The current assets decreased as the School spent more than it brought in as significant renovations and maintenance work were completed on the difference properties they own or lease. The capital assets increased as the School worked to renovate the third floor of the main location and work on the 4100 Reading Road building. The increase in current liabilities is the direct result of the continued growth of the School and hiring more staff. The student population increased over twenty percent during the past year. The School also took out a credit line and another loan payable through PNC bank for over \$332,000 at year end.

The School also reports liabilities for the net pension liability and net OPEB liability as a proportionate share of the total retirement system liability. The School reports a total liability of \$6,295,240 for these two items.

DOHN COMMUNITY HIGH SCHOOL
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2 shows the change in net position for the year ended 2017 compared to fiscal year 2018.

Table 2
Change in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Operating revenues:			
Foundation payments	\$4,944,807	\$3,934,597	\$1,010,210
Classroom fees	11,940	9,392	2,548
Charges for services	8,873	1,710	7,163
Other operating revenues	113,269	34,474	78,795
Non-operating revenues:			
Federal and state grants	<u>1,969,574</u>	<u>1,598,237</u>	<u>371,337</u>
Total revenues	<u>7,048,463</u>	<u>5,578,410</u>	<u>1,470,053</u>
Expenses			
Operating expenses:			
Salaries	3,667,889	2,569,573	1,098,316
Fringe benefits	(63,267)	792,029	(855,296)
Purchased services	2,400,199	1,650,534	749,665
Materials and supplies	231,364	383,023	(151,659)
Depreciation	61,089	55,238	5,851
Other expenses	33,671	13,047	20,624
Interest and fiscal charges	<u>10,015</u>	<u>0</u>	<u>10,015</u>
Total Expenses	<u>6,340,960</u>	<u>5,463,444</u>	<u>877,516</u>
Change in Net Position	<u>707,503</u>	<u>114,966</u>	<u>\$592,537</u>
Beginning Net Position	450,026	335,060	
Restatement	<u>(1,041,842)</u>	<u>0</u>	
Ending Net Position	<u>\$115,687</u>	<u>\$450,026</u>	

The School saw revenues increase from 2017 to 2018 as the School increased the enrollment from 498 (funding level) students in 2017 to 602 during 2018 which impacted the foundation payments and some additional grant funding was received. The major increase in federal and state grant revenue is from the success of the 22+ program. The number of adults served increased to over 1,000 from 830 last year. The School did increase the expenses for the current year as there was a need for additional staff members based on the enrollment increase. The School has also reached capacity at the current location and other facilities. A majority of the increase in purchased services is related to the additional facilities and additional instructional support with the increased student population. Although the School is showing a negative fringe benefits amounts that resulted from a negative pension/OPEB expense of \$1,280,689 being reported by the State Teachers' Retirement System between the GASB 68 and GASB 75 amounts.

DOHN COMMUNITY HIGH SCHOOL
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Capital Assets

At the end of 2018, the School had \$3,365,621 (net of \$926,652 in accumulated depreciation) invested in land, construction in progress, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2018 balances compared to fiscal year 2017:

Table 3
Capital Assets at June 30 (net)

	2018	2017	Change
Land	\$19,000	\$19,000	\$0
Construction in Progress	753,170	0	753,170
Building and Improvements	2,495,028	2,428,654	66,374
Furniture and Equipment	98,423	50,882	47,541
Totals	\$3,365,621	\$2,498,536	\$867,085

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

Debt

At June 30, 2018, the School has two outstanding debt issues: a line of credit for \$100,000 and a loan payable of \$232,427. 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 2017 based on 498 FTE students, which increased to 603 as of final 2018 foundation report. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2019 as of November 2017 amounts to \$8,010 (up from \$7,489 in fiscal year 2018) per student on 659 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, 2018

Assets:

Current assets:

Cash and cash equivalents	\$ 176,366
Accounts receivable	415
Intergovernmental receivable	449,783
Total current assets	<u>626,564</u>

Noncurrent assets:

Nondepreciable assets	772,170
Depreciable Capital assets	2,593,451
Total noncurrent assets	<u>3,365,621</u>

Total Assets 3,992,185

Deferred Outflows of Resources:

Pension	3,271,839
OPEB	458,622

Total Deferred Outflows of Resources: 3,730,461

Liabilities:

Current liabilities

Accounts payable	131,892
Contracts payable	16,267
Accrued wages and benefits payable	505,743
Intergovernmental payable	67,767
Line of credit payable	100,000
Accrued interest payable	438
Current portion of long term debt	20,877
Total current liabilities	<u>842,984</u>

Long term liabilities

Over year - long term debt	211,550
Net OPEB liability	1,387,029
Net Pension liability	4,908,211
Total long term liabilities	<u>6,506,790</u>

Total Liabilities 7,349,774

Deferred Inflows of Resources:

OPEB	147,597
Pension	109,588

Total Deferred Inflows of Resources: 257,185

Net Position:

Net investment in capital assets	3,133,194
Restricted	334,589
Unrestricted	(3,352,096)

Total Net Position \$ 115,687

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, 2018

Operating Revenues:	
Foundation payments	\$ 4,944,807
Classroom fees	11,940
Charges for services	8,873
Other operating revenues	<u>113,269</u>
Total operating revenues	<u>5,078,889</u>
Operating Expenses:	
Salaries	3,667,889
Fringe benefits	(63,267)
Purchased services	2,400,199
Materials and supplies	231,364
Depreciation	61,089
Other operating expenses	<u>33,671</u>
Total operating expenses	<u>6,330,945</u>
Operating Loss	<u>(1,252,056)</u>
Non-Operating Revenues (Expenses):	
Federal and State grants	1,969,574
Interest and fiscal charges	<u>(10,015)</u>
Total non-operating revenues (expenses)	<u>1,959,559</u>
Change in net position	707,503
Net position at beginning of year - restated	<u>(591,816)</u>
Net position at end of year	<u><u>\$ 115,687</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, 2018

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 4,901,596
Cash received from classroom materials and fees	20,398
Cash received from other operating revenues	113,269
Cash payments for personal services	(4,459,963)
Cash payments for contract services	(2,332,488)
Cash payments for supplies and materials	(253,110)
Cash payments for other expenses	(33,671)
Net cash used for operating activities	<u>(2,043,969)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>1,718,168</u>
Net cash provided by noncapital financing activities	<u>1,718,168</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	(928,174)
Proceeds from line of credit and loan payable	349,000
Principal paid on debt obligations	(16,573)
Interest paid on debt obligations	(9,577)
Net cash used for capital and related financing activities	<u>(605,324)</u>

Net change in cash and cash equivalents	(931,125)
Cash and Cash Equivalents at beginning of year	<u>1,107,491</u>
Cash and Cash Equivalents at end of year	<u><u>176,366</u></u>

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

Operating loss	(1,252,056)
Adjustments to reconcile operating loss to net used for operating activities:	
Depreciation	61,089
Change in assets, liabilities, deferred outflows and deferred inflows:	
Increase in accounts receivable	(415)
Decrease in accounts payable	(13,151)
Increase in contracts payable	16,267
Increase in accrued wages and benefits	126,750
Increase in intergovernmental payable	11,191
Increase in OPEB related activities	34,162
Decrease in pension related activities	(1,027,806)

Net cash used for operating activities	<u><u>\$ (2,043,969)</u></u>
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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, 2018

1. DESCRIPTION OF THE REPORTING ENTITY

Dohn Community High School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702, to small, personalized, non-traditional school, committed to serving educationally at-risk students in a safe, orderly environment by developing the basic academic, career, and social skills needed to pursue options following graduation. The School qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code. The School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract for continuing Ohio Charter Schools with the Kids Count of Dayton, Inc. (the Sponsor) for a period of five years commencing July 1, 2007. The contract expired on June 30, 2012 but the Sponsor and School have renewed the agreement for consecutive one year periods. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a seven member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards and qualifications of teachers. The Board has formed several committees to carry out the governance functions of the School. These include a Board Development Committee, Facility Committee, Fundraising Committee, Program Committee and a Finance/Audit Committee. The School’s Superintendent serves as a non-voting member of the Board.

The Board hires the Superintendent, who hires all the other staff, and manages the day-to-day operations of the School. The Board controls the School’s four instructional/support facility staffed by 60 non-certified, 3 part-time counselors, 4 full-time counselors, 1 director and 38 certified full time teaching personnel who provide services to 602 students (FTE).

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 2018.

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

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

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<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, 2018 totaled \$6,914,381.

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Estimates

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

I. Operating Revenues and Expenses

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

J. Deferred Outflows/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/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statement of net position reports 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 are reported on the government-wide statement of net position for pension/OPEB. The deferred inflows of resources related to pension/OPEB are explained in Notes 8 and 9.

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Pension/OPEB

For purposes of measuring the net pension/OPEB liability and deferred outflows/inflows of resources related to pension/OPEBs, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

L. 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 2018, the School received \$1,134,345 while working with over 1,300 adults (increase from 835 in 2017.)

3. DEPOSITS AND INVESTMENTS

At June 30, 2018, the carrying amount of the School's deposits was \$176,366 and the bank balance was \$229,491. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the School.

The School has 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 of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPC will collateralize utilizing the specific pledge method at one hundred and five percent.

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

4. RECEIVABLES

Receivables at June 30, 2018, 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	\$1,093
Twenty-Two Plus Program	335,290
Title VI-B Grant	47,899
Title I Grant	<u>65,501</u>
Total	<u>\$449,783</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/18</u>
Capital Assets Not Being Depreciated				
Land	\$19,000	\$0	\$0	\$19,000
Construction in Progress	<u>0</u>	<u>753,170</u>	<u>0</u>	<u>753,170</u>
Total Capital Assets Not Depreciated	<u>19,000</u>	<u>753,170</u>	<u>0</u>	<u>772,170</u>
Capital Assets Being Depreciated				
Building and Improvements	3,120,097	116,509	0	3,236,606
Furniture and Equipment	<u>228,200</u>	<u>58,495</u>	<u>(3,198)</u>	<u>283,497</u>
Total Capital Assets Being Depreciated	<u>3,348,297</u>	<u>175,004</u>	<u>(3,198)</u>	<u>3,520,103</u>
Less Accumulated Depreciation				
Building and Improvements	(691,443)	(50,135)	0	(741,578)
Furniture and Equipment	<u>(177,318)</u>	<u>(10,954)</u>	<u>3,198</u>	<u>(185,074)</u>
Total Accumulated Depreciation	<u>(868,761)</u>	<u>(61,089)</u>	<u>3,198</u>	<u>(926,652)</u>
Total Capital Assets Being Depreciated, Net	<u>2,479,536</u>	<u>113,915</u>	<u>0</u>	<u>2,593,451</u>
Capital Assets, Net	<u>\$2,498,536</u>	<u>\$867,085</u>	<u>\$0</u>	<u>\$3,365,621</u>

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

6. DEBT

During the fiscal year 2018, the following changes occurred in long-term debt.

Description	Restated Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due Within One Year
Line of Credit	\$0	\$100,000	\$0	\$100,000	\$100,000
PNC Loan Payable	0	249,000	16,573	232,427	20,877
Net OPEB Liability					
SERS	387,086	522,269	0	909,355	0
STRS	654,756	0	177,082	477,674	0
Net Pension Liability					
SERS	993,945	1,005,927	0	1,999,872	0
STRS	3,230,373	0	322,034	2,908,339	0
Total Long Term Liabilities	\$5,266,160	\$1,877,196	\$515,689	\$6,627,667	\$120,877

On August 17, 2017 the School entered into a loan agreement with PNC bank for \$249,000 to finance renovations on the School's properties. The loan carries an interest rate of 4.70% with a final maturity of August 17, 2027.

During 2018, the School requested a line of credit from PNC bank with an interest rate of 5.25% that has a maximum credit limit of \$300,000. The School has drawn out \$100,000 on the line as of June 30, 2018.

Fiscal Year Ending June 30,	PNC Loan Payable		
	Principal	Interest	Total
2019	\$20,877	\$10,478	\$31,355
2020	21,880	9,476	31,355
2021	22,931	8,425	31,355
2022	24,032	7,323	31,355
2023	25,186	6,169	31,355
2024-2028	117,521	12,008	129,529
Total	<u>\$232,427</u>	<u>\$53,879</u>	<u>\$286,306</u>

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 2018, the School contracted with Argonaut Insurance Company for insurance. Coverage provided by Argonaut Insurance Company includes the following with a \$1,000 deductible in total:

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

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

B. Worker's Compensation

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

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

The School's contractually required contribution to SERS was \$287,800 for fiscal year 2018. Of this amount \$32,568 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$233,128 for fiscal year 2018. Of this amount \$27,633 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, 2017, 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:

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability - prior measurement date	0.013580%	0.00965068%	
Proportion of the Net Pension Liability - current measurement date	<u>0.033472%</u>	<u>0.01224295%</u>	
Change in proportionate share	<u>0.019892%</u>	<u>0.002592%</u>	
Proportionate Share of the Net Pension Liability	\$1,999,872	\$2,908,339	\$4,908,211
Pension Expense - 2018	76,367	(1,134,928)	(1,058,561)
Pension Expense - 2017	<u>112,696</u>	<u>242,360</u>	<u>355,056</u>
Change in Pension Expense	<u>(\$36,329)</u>	<u>(\$1,377,288)</u>	<u>(\$1,413,617)</u>

At June 30, 2018, 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>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$85,144	\$111,326	\$196,470
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion share	1,067,500	747,176	1,814,676
Changes in assumptions	103,414	636,086	739,500
Changes in proportion share and difference between Academy contribution and proportionate share of contributions	0	265	265
Academy contributions subsequent to the measurement date	<u>287,800</u>	<u>233,128</u>	<u>520,928</u>
Total Deferred Outflows of Resources	<u>\$1,543,858</u>	<u>\$1,727,981</u>	<u>\$3,271,839</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$8,995	\$77,154	\$86,149
Differences between expected and actual experience	<u>0</u>	<u>23,439</u>	<u>23,439</u>
Total Deferred Inflows of Resources	<u>\$8,995</u>	<u>\$100,593</u>	<u>\$109,588</u>

\$520,928 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

DOHN COMMUNITY HIGH SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$537,515	\$369,010	\$906,525
2020	413,615	481,467	895,082
2021	249,314	342,363	591,677
2022	46,619	201,420	248,039
Total	<u>\$1,247,063</u>	<u>\$1,394,260</u>	<u>\$2,641,323</u>

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, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results on an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was followed RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

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

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$2,775,303	\$1,999,872	\$1,350,291

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.25 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study, effective June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	\$4,169,005	\$2,908,339	\$1,846,417

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. DEFINED BENEFIT PENSION PLANS (continued)

Change between Measurement Date and Report Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

9. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the School does receive the benefit of employees' services in exchange for compensation including OPEB.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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.

The School's contractually required contribution to SERS was \$10,659 for fiscal year 2018. Of this amount \$1,206 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to post-employment health care.

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For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability - prior measurement date	0.01358020%	0.01224295%	
Proportion of the Net OPEB Liability - current measurement date	<u>0.03388390%</u>	<u>0.01224295%</u>	
Change in proportionate share	<u>0.02030370%</u>	<u>0.00000000%</u>	
Proportionate Share of the Net OPEB Liability	\$909,355	\$477,674	\$1,387,029
OPEB Expense (Income)	\$179,923	(\$145,761)	\$34,162

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$27,574	\$27,574
Changes in proportion share	420,389	0	420,389
Academy contributions subsequent to the measurement date	<u>10,659</u>	<u>0</u>	<u>10,659</u>
Total Deferred Outflows of Resources	<u>\$431,048</u>	<u>\$27,574</u>	<u>\$458,622</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,409	\$20,417	\$22,826
Changes in assumptions	<u>86,293</u>	<u>38,478</u>	<u>124,771</u>
Total Deferred Inflows of Resources	<u>\$88,702</u>	<u>\$58,895</u>	<u>\$147,597</u>

\$10,659 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$120,447	(\$6,922)	\$113,525
2020	120,447	(6,922)	113,525
2021	91,395	(6,922)	84,473
2022	(602)	(6,921)	(7,523)
2023	0	(1,817)	(1,817)
Thereafter	<u>0</u>	<u>(1,817)</u>	<u>(1,817)</u>
Total	<u>\$331,687</u>	<u>(\$31,321)</u>	<u>\$300,366</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation

Municipal Bond Index Rate:

Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent

Medical Trend Assumption

Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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9. DEFINED BENEFIT OPEB PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School's proportionate share of the net OPEB liability	\$1,098,161	\$909,355	\$759,771
	1% Decrease (6.5% decreasing to 4.0 %)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0 %)
School's proportionate share of the net OPEB liability	\$737,874	\$909,355	\$1,136,314

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent, effective July 1, 2017 (COLA)
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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Notes to the Basic Financial Statements

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9. DEFINED BENEFIT OPEB PLANS (continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

9. DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School's proportionate share of the net OPEB liability	\$641,270	\$477,674	\$348,380

	1% Decrease	Current Trent Rate	1% Increase
School's proportionate share of the net OPEB liability	\$331,867	\$477,674	\$669,572

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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, 2018 the School reported restricted net position for:

Twenty-two Plus Program	\$248,262
Capital projects	44,597
Food Service	2,419
Ken Furier Memorial Fund	20,040
Blanche Dohn Scholarship	19,271
Total	<u>\$334,589</u>

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, 2018.

B. School Funding

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

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12. CONTINGENCIES (continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed a FTE review on the School for fiscal year 2018. As of the June final #1 calculation, the School has a \$29,068 payable for the FTE review.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with Kids Count of Dayton, Inc. requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliations necessary with this contract, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

13. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement has the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$450,026
Adjustments:	
Net OPEB Liability	<u>(1,041,842)</u>
Restated Net Position June 30, 2017	<u><u>(\$591,816)</u></u>

DOHN COMMUNITY HIGH SCHOOL

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Notes to the Basic Financial Statements

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14. PURCHASED SERVICES

For the period July 1, 2017 through June 30, 2018, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$2,132,789
Utilities	127,030
Communications	3,663
Property Services	1,612
Food Service	109,476
Other	25,629
Total Purchased	<u>\$2,400,199</u>

15. MANAGEMENT PLAN

The School had current liabilities exceeding current assets by \$216,420 at June 30, 2018. However, the change in net position was \$707,503 and the net position was \$115,687 as of June 30, 2018. The main reason for current liabilities exceeding current assets is due to significant renovations of the School's properties. Management expects these renovations to assist the School in growing its enrollment for both its regular instruction programs and its twenty-two plus program. The School has already seen an increase in enrollment and expects this to continue. Management will continue to monitor expenditures to ensure the School remains fiscally sound.

16. SUBSEQUENT EVENTS

- A: On August 3, 2018 the School drew on the credit line for \$100,000 and paid back \$100,000 on August 9, 2018.

- B: The School's sponsor has been rated "ineffective" for its three most recent years by the Ohio Department of Education (ODE). Ohio Revised Code Section 3314.016(B) requires that sponsors that receive an "ineffective" rating on their three most recent ratings to have all sponsorship privileges revoked. The School is aware of the situation with the sponsor and is currently discussing new sponsorship. Also, the School fully intends to be open into the future and does not believe this will affect its financial condition.

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 Five Fiscal Years (1)

	2017	2016	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.0334719%	0.0135802%	0.007439%	0.005438%	0.005438%
The School's Proportion Share of the Net Pension Liability	\$ 1,999,872	\$ 993,945	\$ 424,471	\$ 275,214	\$ 323,380
The School's Covered Payroll	1,102,286	366,521	217,985	145,346	143,569
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.43%	271.18%	194.72%	189.35%	225.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

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

	2017	2016	2015	2014	2013
The School's Proportion of the Net Pension Liability	0.01224295%	0.00965068%	0.00954431%	0.00823986%	0.00823986%
The School's Proportion Share of the Net Pension Liability	\$ 2,908,339	\$ 3,230,373	\$ 2,637,768	\$ 2,004,219	\$ 2,387,413
The School's Covered Payroll	1,235,507	934,479	882,247	871,785	668,962
The School's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.40%	345.69%	298.98%	229.90%	356.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 287,800	\$ 154,320	\$ 51,313	\$ 28,730	\$ 20,145	\$ 19,870	\$ 12,411	\$ 9,809	\$ 8,123	\$ 5,598
Contributions in Relation to the Contractually Required Contribution	<u>(287,800)</u>	<u>(154,320)</u>	<u>(51,313)</u>	<u>(28,730)</u>	<u>(20,145)</u>	<u>(19,870)</u>	<u>(12,411)</u>	<u>(9,809)</u>	<u>(8,123)</u>	<u>(5,598)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Covered Payroll	\$ 2,131,852	\$ 1,102,286	\$ 366,521	\$ 217,985	\$ 145,346	\$ 143,569	\$ 92,275	\$ 78,035	\$ 59,993	\$ 56,890
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 233,128	\$ 172,971	\$ 130,827	\$ 123,515	\$ 113,332	\$ 86,965	\$ 83,355	\$ 70,611	\$ 60,581	\$ 45,696
Contributions in Relation to the Contractually Required Contribution	(233,128)	(172,971)	(130,827)	(123,515)	(113,332)	(86,965)	(83,355)	(70,611)	(60,581)	(45,696)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Covered Payroll	\$ 1,665,200	\$ 1,235,507	\$ 934,479	\$ 882,247	\$ 871,785	\$ 668,962	\$ 641,192	\$ 543,162	\$ 466,008	\$ 351,508
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2017	2016
The School's Proportion of the Net OPEB Liability	0.033884%	0.013580%
The School's Proportion Share of the Net OPEB Liability	\$ 909,355	\$ 387,086
The School's Covered Payroll	\$ 1,102,286	\$ 366,521
The School's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.50%	105.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2016 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 OPEB Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2017	2016
The School's Proportion of the Net OPEB Liability	0.01224295%	0.01224295%
The School's Proportion Share of the Net OPEB Liability	\$ 477,674	\$ 654,756
The School's Covered Payroll	\$ 1,235,507	\$ 934,479
The School's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.66%	70.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2016 is not available

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

See notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 10,659	\$ -	\$ 4,003	\$ 3,409	\$ 1,169	\$ 1,152	\$ 799	\$ 1,188	\$ 292	\$ 2,617
Contributions in Relation to the Contractually Required Contribution	(10,659)	-	(4,003)	(3,409)	(1,169)	(1,152)	(799)	(1,188)	(292)	(2,617)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Covered Payroll	2,131,852	1,102,286	366,521	217,985	145,346	143,569	92,275	78,035	59,993	56,890
Contributions as a Percentage of Covered-Payroll	0.50%	0.00%	1.09%	1.56%	0.80%	0.80%	0.87%	1.52%	0.49%	4.60%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,718	\$ 6,609	\$ 6,412	\$ 5,432	\$ 4,660	\$ 3,515
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(8,718)	(6,609)	(6,412)	(5,432)	(4,660)	(3,515)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Covered Payroll	1,665,200	1,235,507	934,479	882,247	871,785	668,962	641,192	543,162	466,008	351,508
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

DOHN COMMUNITY HIGH SCHOOL
Hamilton County

Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.



Julian & Grube, Inc.

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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, 2018, 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 27, 2018, wherein we noted as discussed in Note 13, the Dohn Community High School adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Furthermore, the Dohn Community High School had current liabilities exceeding current assets as discussed in Note 15.

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 2018-001 to be a significant deficiency.

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 subject the Dohn Community High School's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
December 27, 2018

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Significant Deficiency - Payroll Account Reconciliations

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

The School's payroll account did not have evidence the account had been properly reconciled during the fiscal year ended June 30, 2018.

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

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

Client Response: The School has begun to develop a process to assist with the reconciliation in the future. During the current year, the School began maintaining files to better assist with the reconciliation process and plans to begin performing the complete reconciliation during fiscal year 2019.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2015	<u>Significant Deficiency - Payroll Account Reconciliations</u> - The payroll account reconciliation is the responsibility of management and is an important part of the School's overall purpose. The School's payroll account did not have evidence that the account had been properly reconciled during the fiscal year ended June 30, 2017.	Not Corrected	Finding repeated as 2018-001 as the payroll account is still not being reconciled.

OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 5, 2019**