DOHN COMMUNITY HIGH SCHOOL

Basic Financial Statements

Year Ended June 30, 2006

with

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Dohn Community High School
608 E. McMillan Street
Cincinnati, Ohio 45206

We have reviewed the *Independent Auditors' Report* of the Dohn Community High School, Hamilton County, prepared by Foxx & Company, for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 2008

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Dohn Community High School

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INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees

We have audited the accompanying basic financial statements of the Dohn Community High School, Hamilton County, Ohio (the School), as of and for the years ended June 30, 2006 and June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2006 and June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Fox & Company

July 20, 2007

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis provides key information from management highlighting the overall financial activities of Dohn Community High School for the fiscal year ended June 30, 2006. This is meant to be an easily readable summary of the most important information regarding the accompanying financial statements. Please read it in conjunction with the School's financial statements.

Financial Highlights

Major financial highlights for the year ended June 30, 2006 are listed below**:**

- Total Assets were $2,079,417.
- Total Liabilities were $652,820.
- The Change in Net Assets was $276,595.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

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

The statement of cash flows presents the sources and uses of the school's cash and how it changed during the most recent school year.

Table 1 provides a summary of the Schools' net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1
Net Assets

	2006	2005
Assets		
Current assets	$ 111,829	$ 107,898
Capital assets, net	1,967,588	2,034,519
Total assets	2,079,417	2,142,417
Liabilities		
Current liabilities	203,003	187,253
Long term liabilities	449,817	805,162
Total liabilities	652,820	992,415
Net Assets		
Invested in capital assets	1,413,978	1,254,551
Restricted	30,297	-
Unrestricted	(17,678)	(104,549)
Total net assets	$ 1,426,597	$ 1,150,002

Total assets decreased by $63,000, which represents a 2.94 percent decrease from fiscal year 2005. Total liabilities decreased by $339,595, which represents a 34.22 percent decrease from 2005. The decrease in liabilities is primarily due to a $355,345 decrease in long-term debt. The School's net assets increased by $276,595.

Table 2 shows the changes in net assets for the year ended 2006 as compared to fiscal year 2005.

Table 2
Change in Net Assets

	2006	2005
Revenues		
Operating revenues:		
Foundation payments	$ 586,672	$ 387,068
Poverty based assistance	14,289	-
Disadvantaged pupil impact aid	-	2,431
Special education	97,858	88,523
Classroom fees	5,056	3,543
Other operating revenues	19,033	4,144
Non-operating revenues:		
Federal and state grants	187,199	57,407
Contributions and donations	348,596	151,685
Interest	151	863
Total revenues	1,258,854	695,664
Expenses		
Operating expenses:		
Salaries	486,615	365,645
Fringe benefits	119,705	75,583
Purchased services	171,937	154,218
Materials and supplies	30,982	18,707
Depreciation	84,950	88,918
Other expenses	46,227	13,577
Non-Operating Expenses:		
Interest and fiscal charges	41,843	25,101
Total Expenses	982,259	741,749
Increase/(Decrease) in Net Assets	$ 276,595	$ (46,085)

The increase in revenues of $563,190 was caused primarily by increases of $199,604 from Foundation Basic Aid, $129,792 from federal and state grants, and $196,911 from contributions. Expenses increased by $240,510 from fiscal year 2005. The expense for salaries increased by $120,970 and the expense for fringe benefits increased by $44,122 from fiscal year 2005, resulting primarily from an increase in staff throughout the 2006 school year. Depreciation expense decreased by $3,968.

Capital Assets

At the end of fiscal year 2006 the School had $1,967,588 (net of $253,412 in accumulated depreciation) invested in building and improvements and furniture and equipment. Table 3 shows fiscal year 2006 balances compared to fiscal year 2005:

Table 3
Capital Asset at Year End
(Net of Depreciation)

	2006	2005
Land	$ 19,000	$ 19,000
Buildings & improvements	1,936,772	1,988,834
Furniture, fixtures, and equipment	11,816	26,685
Totals	$ 1,967,588	$ 2,034,519

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

Debt

Dohn has a second line of credit from National City Bank that was issued on June 29, 2005, in the amount of $71,000, and is due on demand. The interest on this promissory note is variable and is secured by a third mortgage on the School's premises. The balance outstanding as of June 30, 2006 was $49,954.

At June 30, 2006 the School had $503,655 in outstanding long-term debt, $53,838 which is due within one year. Table 4 summarizes the long-term debt outstanding.

Table 4
Long-term Debt Outstanding at Year End

Description	2006	2005
Line of credit #1	$ 58,790	$ 83,516
Note payable	-	300,000
Construction loan	444,865	479,968
Totals	$ 503,655	$ 863,484

For more information on debt see Note 6 to the basic financial statements.

Current Financial Issues

The School's financial relationship with the Lucas County Educational Service Center aids in the improvements in the quality of financial records and strengthens internal controls. During the 2005-2006 school year, there were approximately 92 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2006 amounted to $6,377 per student.

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 Mr. Ken Furrier of Dohn Community High School, 608 E. McMillan Avenue, Cincinnati, Ohio, 45206, or e-mail at kfurrier@dohnschool.org.

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF NET ASSETS
As of June 30, 2006

ASSETS	2006	2005
Current assets		
Cash and cash equivalents	$ 82,849	$ 63,026
Investments	-	35,191
Intergovernmental receivable	13,763	6,826
Prepaid items	15,217	2,855
Total current assets	111,829	107,898
Noncurrent assets		
Land	19,000	19,000
Capital assets, net	1,948,588	2,015,519
Total non-current assets	1,967,588	2,034,519
Total assets	2,079,417	2,142,417
LIABILITIES		
Current liabilities		
Accounts payable	4,872	7,799
Accrued wages and benefits payable	74,514	26,309
Intergovernmental payable	19,655	36,653
Due to students	170	170
Line of credit payable	49,954	58,000
Curent portion of long term debt	53,838	58,322
Total current liabilities	203,003	187,253
Long term debt less current portion	449,817	805,162
Total liabilities	652,820	992,415
NET ASSETS		
Investment in capital assets, net of related debt	1,413,978	1,254,551
Restricted	30,297	-
Unrestricted	(17,678)	(104,549)
Total net assets	$ 1,426,597	$ 1,150,002

See accompanying notes to the basic financial statements

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the Fiscal Year Ended June 30, 2006

	2006	2005
Operating Revenues		
Foundation payments	$ 586,672	$ 387,068
Disadvantaged pupil impact aid	-	2,431
Poverty based assistance	14,289	-
Special education	97,858	88,523
Classroom fees	5,056	3,543
Other operating revenues	19,033	4,144
Total operating revenues	722,908	485,709
Operating Expenses		
Salaries	486,615	365,645
Fringe benefits	119,705	75,583
Purchased services	171,937	154,218
Materials and supplies	30,982	18,707
Depreciation	84,950	88,918
Other operating expenses	46,227	13,577
Total operating expenses	940,416	716,648
Operating loss	(217,508)	(230,939)
Non-Operating Revenues and Expenses		
Operating grants - State	161,977	43,877
Operating grants - Federal	25,222	13,530
Interest	151	863
Contributions and donations	348,596	151,685
Intrerest and fiscal charges	(41,843)	(25,101)
Total non-operating revenues and (expenses)	494,103	184,854
Change in net assets	276,595	(46,085)
Net assets at beginning of year	1,150,002	1,196,087
Net assets at end of year	$ 1,426,597	$ 1,150,002

See accompanying notes to the basic financial statements

DOHN COMMUNITY HIGH SCHOOL
HAMILTON, OHIO
STATEMENT OF CASH FLOWS
for the Fiscal Year Ended June 30, 2006

Increase (Decrease) in Cash and Cash Equivalents	2006	2005
Cash Flows from Operating Activities		
Cash received from State of Ohio	$ 672,157	$ 515,968
Cash received from classroom materials and fees	5,056	3,543
Cash received from other operating sources	19,033	4,144
Cash payments to suppliers for goods and services	(251,622)	(190,485)
Cash payments to employees for services	(440,248)	(352,408)
Cash payments for employee benefits	(121,016)	(69,959)
Net Cash Used for Operating Activities	(116,640)	(89,197)
Cash Flows from Noncapital Financing Activities		
Operating grants received - Federal	155,040	216,370
Operating grants received - State	25,222	43,877
Contributions and donations	112,391	116,494
Net Cash Provided by Noncapital Financing Activities	292,653	376,741
Cash Flows from Capital and Related Financing Activities		
Proceeds from loans	2,000	871,000
Principal payments	133,605	(49,516)
Interest and fiscal charges	(41,843)	(25,101)
Payments for capital acquisitions	(18,018)	(1,169,808)
Net Cash Used for Capital and Related Financing Activities	75,744	(373,425)
Cash Flows from Investing Activities		
Interest on investments	95	863
Proceeds from sale of investments	35,181	19,054
Net Cash Provided by Investing Activities	35,276	19,917
Net Increase in cash and cash equivalents	19,823	(65,964)
Cash and cash equivalents at beginning of year	63,026	128,990
Cash and Cash Equivalents at End of Year	$ 82,849	$ 63,026

See accompanying notes to the basic financial statements

DOHN COMMUNITY HIGH SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2006
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	$ (217,508)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	84,950
Changes in assets and liabilities:	
Decrease in prepaid items	(12,362)
Decrease in accounts payable	(2,927)
Increase in accrued wages payable	48,205
Decrease in intergovernmental payable	(16,998)
Total Adjustments	100,868
Net Cash Used for Operating Activities	$ (116,640)

See accompanying notes to the basic financial statements

DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 address the needs of students in grades nine through twelve who have been impacted by substance abuse. The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status. The School's program includes a curriculum that provides academic credit coupled with substance abuse intervention. The target population of at-risk youth is those who have a problem with alcohol or other drugs, as well as those who have lived with a substance abusing relative or guardian. 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 a contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing March 14, 2000. 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 sponsor as of June 30, 2006 was Lucas County Educational Service Center.

The School operates under the direction of a nine 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, admission 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 Founder and Superintendent serve as a non-voting member of the Board.

The Board hires the Superintendent, who hires all other staff, and manages the day-to-day operations of the School. The Board controls the School's one instructional/support facility staffed by 4 non-certified and 8 certificated full time teaching personnel who provide services to 92 students.

The School has entered into a service agreement with the Sponsor to provide certain financial and accounting services and the Treasurer of the Sponsor serves as the Chief Fiscal Officer of the School, (See Note 11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. 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 assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The School's uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flow reflects how the School finances and meets its cash flow needs.

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 School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated annually.

D. Cash and Investments

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate accounts in the School's name. Monies for the

School are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity 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.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of three 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 expensed.

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

Description	Estimated Lives
Building and Improvements	30
Furniture and Equipment	3

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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

G. Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the Statement of Net Assets, using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

H. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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 regulations of other governments.

I. Estimates

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

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

3. DEPOSITS AND INVESTMENTS

Deposits:

At fiscal year end June 30, 2006, the carrying amount of the School's deposits was $82,849 and the bank balance was $120,860. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure, as of June 30, 2006, $100,000 was covered by the Federal Depository Insurance Corporation and $20,860 was exposed to custodial credit risk.

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

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

4. RECEIVABLES

Receivables at June 30, 2006 consists 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:

Intergovernmental	Amount
Title V	$ 397
IDEA-B	3,036
Critical transitions	10,000
Title IID	330
Total Intergovernmental Receivable	$ 13,763

DOHN COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
Capital Assets Not Being Depreciated				
Land	$ 19,000	$ -	$ -	$ 19,000
Capital Assets Being Depreciated				
Buildings & Improvements	2,089,642	18,020	-	2,107,662
Furniture, Fixtures, and Equipment	94,338	-	-	94,338
Total Capital Assets Being Depreciated	2,183,980	18,020	-	2,202,000
Less Accumulated Depreciation:				
Buildings	(100,635)	(70,255)	-	(170,890)
Furniture, Fixtures, and Equipment	(67,827)	(14,695)	-	(82,522)
Total Accumulated Depreciation	(168,462)	(84,950)	-	(253,412)
Total Capital Assets Being Depreciated, Net	2,015,518	(66,930)	-	1,948,588
Total Capital Assets, Net of Accum. Dep.	$ 2,034,518	$ (66,930)	$ -	$ 1,967,588

6. DEBT

Dohn has a second line of credit from National City Bank that was issued on June 29, 2005, in the amount of $71,000, and is due on demand. The interest on this promissory note is variable and is secured by a third mortgage on the School's premises. The balance outstanding as of June 30, 2006 was $49,954.

Long-term debt outstanding for the School as of June 30, 2006 was as follows:

	Description	Balance 06/30/05	Additions	Deletions	Balance 06/30/06	Due Within One Year
(A)	Line of credit #1	$ 83,516	$ -	$ 24,726	$ 58,790	$ 20,257
(B)	Note payable	300,000	-	300,000	-	-
(C)	Construction loan	479,968	-	35,103	444,865	33,581
	Total	$ 863,484	$ -	$ 359,829	$ 503,655	$ 53,838

(A) The Line of Credit #1 from National City Bank was issued on June 15, 2005, in the amount of $100,000. The note has a maturity date of June 15, 2009. The interest on this line of credit is variable and was 9 percent at June 30, 2006.

(B) The note payable was issued on February 8, 2005 from a Board Member at no interest. During the current year $73,795 was repaid and the balance of $226,205 was forgiven on November 17, 2005.

(C) The construction loan from National City Bank was issued on June 29, 2005, in the amount of $500,000. The note has a maturity date of October 15, 2009. The interest on this promissory note is variable and was 8.75 percent at June 30, 2006.

Principal and interest requirements to retire long term-debt outstanding at June 30, 2006 are as follows:

Year	Principal	Interest
2007	$ 53,838	$ 42,069
2008	58,797	37,110
2009	62,080	32,231
2010	43,619	27,562
2011	47,593	23,588
2012-2016	243,454	46,905
Totals	$509,381	$ 209,465

7. RISK MANAGEMENT

A. Insurance Coverage

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 year ended 2006, the School contracted with Philadelphia Insurance for property and general liability insurance. There is a $1,000 deductible with a one hundred percent blanket, all risk policy.

Professional liability is protected by Philadelphia Insurance Company with a $1,000,000 single occurrence limit and a $2,000,000 aggregate and no deductible.

B. Workers' 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.

C. Employee Medical, Dental and Life Benefits

The School has contracted through a private carrier to provide employee medical, dental, and life/disability insurance to its full time employees. The School pays sixty-six percent of the monthly premiums for medical coverage and nineteen percent for dental and disability/life coverage.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute an actuarially determined rate. The employer rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2006, 2005, and 2004 were $9,984, $6,178, and $3,297, respectively, 9.33 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. $9,052 represents the unpaid contribution for fiscal year 2006. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement Systems (STRS)

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School's required contribution for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were $62,230, $62,344, and $62,462, respectively, 84.33 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2006 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2006 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS OhioWeb site at www.strsoh.org.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 3.43 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at $27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the School, the amount to fund health care benefits, including surcharge, equaled $1,649 for the fiscal year ended June 30, 2006.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $5,355 for the fiscal year ended June 30, 2006.

10. CONTINGENCIES

A. Grants

The School receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2006.

B. Pending Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18th, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are a part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. No oral argument date has been set. The effect of this suit, if any, on the School is not presently determinable.

C. School Funding

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has conducted two reviews of the School's 2006 student enrollment data and FTE calculations, which resulted in insignificant revenue adjustments.

11. PURCHASED SERVICES

For the period July 1, 2005 through June 30, 2006, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	$ 93,840
Property services	10,866
Travel mileage/meeting expenses	7,203
Communications	13,518
Utilities	41,353
Contracted craft or trade service	5,047
Pupil transportation services	90
Total purchased services	$ 171,917

12. FISCAL AGENT

The School entered into a service agreement with the Treasurer of the Sponsor to serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. A total contract payment of $9,071 was paid during the fiscal year. At June 30, 2006, the school terminated the service agreement.

13. Related Parties

Three Board members conducted business with the School during the period July 1, 2005 through June 30, 2006. Ken Furrier was paid $1,994 under contract as the EMIS Coordinator. Grant Hesser is the president of PDSC Corporation, the company hired by the School to oversee renovations. PDSC Corporation was paid $500 during the current fiscal year. On November 17, 2005, the $226,205 balance on the original $300,000 loan from board member David Meyer, described in Note 6, was forgiven.

14. Subsequent Events

The fiscal agent agreement with Lucas County Educational Services Center was terminated on June 30, 2006. A new fiscal agent agreement with Mangen and Associates took effect July 1, 2006. The agreement with Mangen and Associates was terminated January 31, 2007. Michael Ashmore began as the treasurer effective February 1, 2007.

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

To the Board of Trustees
Dohn Community High School

We have audited the basic financial statements of Dohn Community High School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated July 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operating that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-01 through 2006-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider items 2006-01 to 2006-02 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as items 2006-03. In a separate letter to the School's management dated July 20, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Fox & Company

July 20, 2007
Cincinnati, Ohio

DOHN COMMUNITY HIGH SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2006

Finding Number	2006-01

***Criteria* –** Good internal control requires that the activity of all bank accounts should be included in the entity's financial statements.

***Condition* –** Transactions from the Fifth Third Bank account were not properly recorded, and records were incomplete. Dohn could not provide a complete check register/ledger, nor support for the transactions. The school also failed to correctly record transactions for the investment account with McDonald (now UBS). This account held a money market balance from an individual's stock contribution that was sold in 2005.

***Effect* –** Significant adjustments were needed to the June 30, 2006 financial statements to record activity from these accounts.

***Cause* –**Transaction details for the Fifth Third Bank account and the McDonald (UBS) Investment account were not properly provided to the fiscal agent or to the compiler of the financial statements.

***Recommendation* –** We recommend that all source documents for all bank and investment accounts be provided to the fiscal agent or Treasurer and compiler of the financial statements.

Views of responsible officials and planned corrective actions

Dohn's officials declined to provide a response.

DOHN COMMUNITY HIGH SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2006

Finding Number	2006-02

***Criteria* –** Good internal control requires that cash receipts be deposited on a daily basis, and proper support be maintained for the receipts.

***Condition* –** 9 of 10 student receipts tested could not be traced to a specific deposit.

Effect – Controls are not in place to prevent misappropriation of cash. Furthermore, without appropriate documentation, the completeness of these deposits cannot be assured.

***Cause* –**The School did not reconcile receipts received to specific deposit tickets.

Recommendation – We recommend that the School prepare of listing of associated receipts for each deposit.

Views of responsible officials and planned corrective actions

Dohn's officials declined to provide a response.

DOHN COMMUNITY HIGH SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2006

Finding Number	2006-03

***Criteria* –** All school classroom teachers are to be licensed in accordance with Ohio Revised Code Sections 3319.22 to 3319.31.

***Condition* –** An employee worked and was paid as an Art Teacher. She disclosed at the start of the school year that she was not licensed on her employee data sheet.

***Effect* –** Dohn Community High School is in violation of Ohio Revised Code Sections 3319.22 to 3319.31.

***Cause* –** The school justified the action because she only worked one hour per day as a Teacher and was under the supervision of a Certified Teacher. Pursuant to Ohio Revised Code 3319.301 a permit may be issued for non-certified persons to teach up to twelve hours per week, however, no such permit was issued.

***Recommendation* –** We recommend that the school comply with the Ohio Revised Code and ensure that all employees who instruct students are properly certified.

***Views of responsible officials and planned corrective action* –**

Dohn's officials declined to provide a response.

DOHN COMMUNITY HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2006

Finding Number	**Finding Summary**	**Fully Corrected**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Or Finding No Longer Valid; Explain:**
2005-001	Activity of all bank accounts included in the entity's financial statements.	No	Partially corrected; whereas the balances for the McDonald and Fifth Third accounts were correct in the fiscal year 2006, the transactions were not properly recorded. Issued as finding 2006-01
2005-002	Documentation for cash receipts missing	No	Partially corrected; receipt records were in place, but lacked reconciliation to specific deposit slips. Reissued as finding 2006-02.
2005-003	Teacher's certification not on file.	Yes	Corrected. All Certified teachers had certificates on file.
2005-004	Violation of conflict of interest policy	Yes	The Board Member signed a new conflict of interest policy, and disclosed the information in a related party letter.

Mary Taylor, CPA
Auditor of State

DOHN COMMUNITY HIGH SCHOOL

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2008

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