LIGHTHOUSE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Trustees
Lighthouse Community School
1501 Madison Road
Cincinnati, Ohio 45206

We have reviewed the *Report of Independent Accountants* of the Lighthouse Community School, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Lighthouse Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 27, 2009

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LIGHTHOUSE COMMUNITY SCHOOL
HAMILTON COUNTY
AUDIT REPORT
For the Year Ending June 30, 2008

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REPORT OF INDEPENDENT ACCOUNTANTS

Lighthouse Community School
Hamilton County
1501 Madison Road
Cincinnati, Ohio 45206

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lighthouse Community School (the School) as of and for the year ended June 30, 2008, as listed in the table of contents. These 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Lighthouse Community School as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
December 12, 2008

LIGHTHOUSE COMMUNITY SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

The discussion and analysis of the Lighthouse Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased $149,908, which represents a 19 percent decrease from 2007. This decrease is due to a decrease in Foundation payments ($144,232) from the State Department of Education.
- Total assets decreased $191,855, which represents a 22 percent decrease from 2007. The School made $24,004 in leasehold improvements. Also, cash in hand at June 30, 2008 decreased $152,257.
- Liabilities decreased $41,947, which represents a 47 percent decrease from 2007. $21,308 was paid back to the Ohio Department of Education for FY07 unearned revenue. Since the amounts deducted from the foundation payments are allocated through December 31, the accrual for the pension benefit liability at June 30 is for the period through December 31, making it larger than with the direct payment method.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2008 and fiscal year 2007:

(Table 1)
Net Assets

	2008	2007
Assets		
Current Assets	$411,498	$585,018
Capital Assets, Net	260,098	278,433
Total Assets	671,596	863,451
Liabilities		
Current Liabilities	40,373	73,661
Non-Current Liabilities	7,156	15,815
Total Liabilities	47,529	89,476
Net Assets		
Invested in Capital Assets	260,098	278,433
Unrestricted	363,969	495,542
Total Net Assets	$624,067	$773,975

- Total assets decreased $191,855. The School made $24,004 in leasehold improvements. Also, cash in hand at June 30, 2008 decreased $152,257.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

Foundation Payments	$299,937	$348,101
State Special Education Program	251,743	347,811
FY01 Funding Level Adjustment	111,472	164,434
Other	35,861	42,018
Non-Operating Revenues:		
Federal and State Grants	107,756	113,776
Funding from School sponsor	120,000	120,000
Interest	4,266	39,485
Loss on Investments	(11,624)	-
Donations	158,040	133,300
Total Revenues	1,077,451	1,308,925
Operating Expenses		
Salaries	477,349	503,492
Fringe Benefits	134,772	140,891
Purchased Services	490,653	459,763
Materials and Supplies	7,535	11,733
Depreciation	46,440	40,566
Other Expenses	70,610	82,424
Total Expenses	1,227,359	1,238,869
Increase in Net Assets	($149,908)	$70,056

Net assets decreased from 2008 to 2007 by $149,908. Foundation payments, State Special Education Program and FY01 Funding Level Adjustment decreased by a total of $197,194. Salaries and Fringe Benefit decreased $32,262 due to the removal of a teacher in January, 2008. Depreciation increased $3,264 due to the leasehold improvements.

Fixed Assets

At the end of fiscal year 2008 the School had $69,903 invested in furniture, fixtures, and equipment and $326,186 in leasehold improvements, which represented an increase of $14,306 from 2007. Table 3 shows fiscal year 2008 and fiscal year 2007:

(Table 3)
Fixed Assets at June 30, 2008
(Net of Depreciation)

	2008	2007
Furniture, Fixtures, and Equipment	$69,903	$79,602
Leasehold Improvements	326,185	302,180
Less: Accumulated Depreciation	(135,990)	(103,349)
Totals	$260,098	$278,433

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

Current Financial Issues

The Lighthouse Community School was formed in 2000. During the 2007-2008 school year, there was an average of 52 students enrolled in the School. The School receives its finances mostly from state aide. Per pupil aide for fiscal year 2008 amounted to $10,927 per student.

For Fiscal year 2008, enrollment was the key issue. For FY2008, Lighthouse had 51.78 FTE's, while that average for Fiscal years 2003 through 2007 (5 years) was 57.46 FTE's, a decrease of 5.68 FTE's. The Board of Trustees has developed a marketing plan to address this issue.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Marilon Winther, Treasurer at Lighthouse Community School, 1501 Madison Road, Cincinnati, Ohio 45206 or e-mail at mwinther@lys.org.

LIGHTHOUSE COMMUNITY SCHOOL
HAMILTON COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

Assets		
Current Assets		
Cash	$	32,857
Petty Cash		250
Investments		290,924
Accounts Receivable		60,000
Intergovernmental Receivable		11,639
Prepaid Expenses		15,828
Total Current Assets		411,498
Non-Current Assets		
Capital Assets (Net of Accumulated Depreciation)		260,098
Total Assets	$	671,596
Liabilities		
Current Liabilities		
Accounts payable	$	21,169
Intergovernmental payable		5,049
Accrued Wages and Benefits		9,182
Total Current Liabilities		35,400
Non-Current Liabilities		
Due Within One Year		4,973
Due in More Than One Year		7,156
Total Liabilities		47,529
Net Assets		
Investment in Capital Assets		260,098
Unreserved Retained Earnings		363,969
Total Net Assets	$	624,067

The notes to the financial statements are an integral part of this statement.

LIGHTHOUSE COMMUNITY SCHOOL
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation payments	$ 299,937
State special education program	251,743
FY01 funding level adjustment	111,472
Other	35,861
Total Operating Revenues	699,013
Operating Expenses	
Salaries	477,349
Fringe Benefits	134,772
Purchased Services	
Contract Services	161,835
Rent & Utilities	83,947
Occupancy Costs	48,702
Equipment	5,519
Management Fees	118,000
Food Service	26,843
Other purchased services	45,807
Supplies and materials	7,535
Depreciation	46,440
Other	70,610
Total Operating Expenses	1,227,359
Operating Profit/(Loss)	(528,346)
Non-operating Revenues	
Federal Grants	98,997
State Grants	8,759
Cincinnati Public School	120,000
Donations	158,040
Interest Earnings	4,266
Loss of Investments	(11,624)
Total Non-Operating Revenues	378,438
Change in Net Assets	(149,908)
Net Assets Beginning of year	773,975
Net Assets End of year	$ 624,067

The notes to the financial statements are an integral part of this statement.

LIGHTHOUSE COMMUNITY SCHOOL
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Others	$ 35,861
Cash Received from Foundation Payments	278,629
Cash Received from Disadvantaged Pupil Impact Aid	363,215
Cash Payments to Suppliers for Goods and Services	(578,257)
Cash Payments to Employees for Service	(479,852)
Cash Payments for Employee Benefits	(144,012)
Net Cash Used for Operating Activities	(524,416)
Cash Flows from Noncapital Financing Activities	
Donations	158,040
Federal and State Subsidies Received	112,365
Other Non-operating revenue	95,593
Net Cash Provided by Noncapital Financing Activities	365,998
Cash Flows for Capital and Related Financing Activities	
Payments for Capital Acquisitions	(28,105)
Net Cash Used for Capital and Related Financing Activities	(28,105)
Cash Flows from Investing Activities	
Transfer of Investment to Cash	30,000
Interest	4,266
Net Cash Used for Investing Activities	34,266
Net Decrease in Cash and Cash Equivalents	(152,257)
Cash beginning of year	185,364
Cash end of year	$ 33,107

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities	
Operating Loss	$(528,346)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	46,440
Changes in Assets and Liabilities	
Increase in Prepaid Expense	(563)
Increase in Accounts Payable	8,272
Decrease in Intergovernmental Payable	(9,240)
Increase in Accrued Wages and Benefits	1,183
Decrease in Compensated Absences	(3,686)
Decrease in Contract Payable	(17,168)
Decrease in Unearned Revenue	(21,308)
Total Adjustments	3,930
Net Cash Used for Operating Activities	$(524,416)

The notes to the financial statements are an integral part of this statement.

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Lighthouse Community School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades six through twelve. 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. Lighthouse Community School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Cincinnati Public School District, Hamilton County (the Sponsor) for a period of four years commencing July 1, 2000. There was a one-year renewal for the 2004-2005 school year. The contract was subsequently approved through August 22, 2008. 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 thirteen-member Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Trustees controls the School's one instructional/support facility by 8.5 non-certified and 4 certificated full time teaching personnel who provide services to 52 students.

NOTE 2 – RELATED ORGANIZATION

Seven Board members of the Lighthouse Community School are also Board members of Lighthouse Youth Services, Inc. Lighthouse Community School contracts with Lighthouse Youth Services, Inc. for various management services, including:

1. Utilization of operations and policy manuals, forms, and management procedures, as the same are from time to time developed by Lighthouse Youth Services, Inc.;
2. Assistance in identifying and applying for grants;
3. Financial management;
4. Administrative staff supervision;
5. Human Resource assistance with hiring and benefits management, and
6. Such other management consultant services as are from to time mutually agreed upon.

Lighthouse Community School paid Lighthouse Youth Services, Inc. $118,000 as specified in the contract during the fiscal year for these services, all of which has been paid. Lighthouse Youth Services, Inc. paid $30,000 to Lighthouse Community School for the use of six part-time Instructional Assistants.

In October 2004, New Life Properties, Inc. an affiliated organization bought the school building on Desmond Avenue. A five-year lease was signed between the two parties, in which the School pays annual rent and assumes utility and maintenance costs of the building.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lighthouse Community School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict or contradict GASB pronouncements. However, the School has elected not to follow any FASB statements or interpretations after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

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 statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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.

Expenses are recognized at the time they are incurred.

D. 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 not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

E. Fixed Assets

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of one thousand dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements 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:

Furniture, Fixtures, and Equipment	3 – 5 years
Computers	3 years
Leasehold Improvements	10 years

F. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means.

The School records a liability for accumulated unused vacation time when earned for all employees. The School does not pay sick leave benefits upon termination or retirement.

Effective June 2007, teachers receive 8 weeks of time off during the summer break and will accrue 2 weeks of vacation (by pay period) to be used during the school year.

G. Net Assets

Net assets represent the difference between the assets and liabilities. Investments in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. The School has no debt.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the state. 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.

I. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The School received contributions of $58,655 from its affiliated organization, $83,717 from the Sheakley Foundation and $15,668 from other outside sources during fiscal year 2008, although none were capital in nature.

J. Estimates

The preparation of 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.

NOTE 4 – DEPOSITS AND INVESTMENTS

At fiscal year end, the carrying amount of the School's deposits was $32,857, and the bank balance was $54,700. The bank balance was covered by federal depository insurance. There are no statutory restrictions regarding the deposit and investment of funds by the School.

The School considers cash and investments under 30 days to be liquid. The School's investments at December 31 consisted of mutual funds invested with UBS Financial Services, Inc. valued at their fair market value of $290,924. The School had no interest bearing investments.

The School's investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer, up to a maximum of $500,000, including up to $100,000 on claims for cash (as a distinction from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2008, consisted of accounts and governmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Title II-D	$ 315
Title IV-A	28
SERS	3,639
Part B IDEA	7,657
Total All Intergovernmental Receivables	$11,639

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Business-Type Activity				
Capital Assets Being Depreciated				
Leasehold Improvements	$302,180	24,004		$ 326,184
Furniture, Fixtures, and Equipment	79,602	4,101	(13,800)	69,903
Total Capital Assets Being Depreciated	$381,782	$28,105	($13,800)	$396,087
Less Accumulated Depreciation:				
Leasehold Improvements	(56,232)	(35,259)		(91,491)
Furniture, Fixtures, and Equipment	(47,117)	(11,181)	13,800	(44,498)
Total Accumulated Depreciation	(103,349)	(46,440)	13,800	(135,989)
Total Capital Assets Being Depreciated, Net	$278,433	($18,335)	$0	$260,098
Business-Type Activity Capital Assets, Net	$278,433	($18,335)	$0	$260,098

NOTE 7 – RISK MANAGEMENT

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. During fiscal year 2008, the School contracted with Philadelphia Insurance Company for general liability and property insurance and Philadelphia Insurance Company for educational errors and omissions insurance.

Coverages are as follows:

Building and Contents ($500 deductible)	$1,000,000
Business Personal Property ($500 deductible	100,000
Educational Errors and Omissions	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

There has been no significant change in insurance coverage from last year. Settled claims have not exceeded commercial coverage in either of the past three years.

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement Pension

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of –living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. Ten percent of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were $41,247, $46,700, and $43,219, respectively. The School had a credit balance of $3,639 at June 30, 2008 which is reflected as an intergovernmental receivable.

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to member and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writher STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio 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.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less that five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Contributions rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers, 13 percent was the portion used to fund pension obligations. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $33,589, $26,923, and $21,610, respectively. 99 percent was contributed for fiscal year 2008, 100 percent has been contributed for fiscal years 2007 and 2006. The balance outstanding is reflected as an intergovernmental payable.

NOTE 9 – POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician’s fees, prescription drugs and reimbursement of monthly Medicare premiums.

Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statue. Both systems are on a pay-as-you-go basis.

A. State Teachers Retirement System of Ohio

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were $2,339, $1,923 and $1,544, respectively.

B. School Employees Retirement Pension

SERS offers two cost-sharing multiple employer defined benefit OPEB plans for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2008, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 this amount was $35,800.

NOTE 10 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from polices and procedures approved by the Board of Trustees. Administrators and classified staff earn up to thirty days of vacation per year, depending upon the position, scheduled hours, and length of service.

Teachers, effective June 2007, now receive eight weeks of paid leave during the summer break and earned two weeks of vacation each year, to be used during the school work year. Accumulated unused vacation time is paid to all employees upon termination of employment, but sick leave is not paid.

Each full-time employee receives three personal days per calendar year. Part-time employees receive one personal day per calendar year. If hired after June 30th, an employer receives one personal day; if hired after November 1st, an employee would receive no personal days for that calendar year. Personal days not used at the end of the calendar year are exchanged for sick leave hours.

Teachers, administrators, and non-certified employees earn sick leave at a rate of 2.46 hours per period. Sick leave may be accumulated up to a maximum of 480 hours.

B. Insurance Benefits

The School provides life insurance to all employees through a private carrier. Coverage in the amount of $10,000 is provided to all certified and non-certified employees. Health and Dental insurance coverage is provided through Anthem and Dental Care Plus.

NOTE 11 - NON-CURRENT LIABILITIES

The activity of the School's debt is summarized as follows:

	Outstanding 6/30/07	Additions	Payments	Outstanding 6/30/08	Amounts Due In One Year
Compensated Absences Payable	$15,815	$2,811	$6,497	$12,129	$4,973

NOTE 12 – CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, and such disallowed claims will not have a material adverse effect on the overall financial position of the School as of June 30, 2008.

B. Other Grants

The School's contract with its sponsor, Cincinnati Public Schools, provides for supplemental payments as defined in the contract with the sponsor. The School received $120,000 during the fiscal year 2008 and 2007, based on this contract.

C. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. Schools are selected randomly. These reviews ensure the schools are reporting accurate student enrollment to the State, upon which state foundation funding is calculated. ODE did not review the 2008 enrollment data.

D. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that 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 constitution issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that the Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral arguments occurred on November 29, 2005. On October 25, 2006, the Ohio Supreme Court ruled that the Community Schools are constitutional.

E. State of Ohio Special Funding for Community Schools with High Levels of SBH Students

Legislation was enacted (Section 38, of the Am. Sub. H.B. 405) that stipulated that the change in weighted funding for the disabled students identified as severe behavior handicapped from FY01 and subsequent years not result in a loss of funds to community schools with over 50 percent of its student population identified as severe behavior handicapped. Lighthouse Community School received $111,472 during fiscal year 2008 under this special funding and is designated as “FY01 Funding Level Adjustment.”

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lighthouse Community School
Hamilton County
1501 Madison Road
Cincinnati, Ohio 45206

To the Board of Directors:

We have audited the financial statements of the Lighthouse Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
December 12, 2008

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended June 30, 2007, reported no material citations or recommendations.

Mary Taylor, CPA
Auditor of State

LIGHTHOUSE COMMUNITY SCHOOL

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 10, 2009

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