EAST END COMMUNITY SCHOOL, INC.
MONTGOMERY 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
East End Community School, Inc.
111 Xenia Avenue
Dayton, Ohio 45410

We have reviewed the *Report of Independent Accountants* of the East End Community School, Inc., Montgomery 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 East End Community School, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2009

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EAST END COMMUNITY SCHOOL, INC.
MONTGOMERY COUNTY, OHIO
For the Years Ending June 30, 2008

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REPORT OF INDEPENDENT ACCOUNTANTS

East End Community School, Inc.
Montgomery County
111 Xenia Avenue
Dayton, Ohio 45410

The Board of Trustees:

We have audited the accompanying basic financial statements of the East End Community School, Inc. (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 provide 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 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.

As described in Note 13 to the financial statements, East End Community School, Inc. has ceased operations effective June 30, 2008.

The management's discussion and analysis on pages 4 through 8 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 15, 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 15, 2008

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East End Community School

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

The discussion and analysis of East End Community School's (the School) financial performance provides an overall review of the 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 the 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 Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the East End Community School during fiscal year 2008 are as follows:

- Total net assets of the School increased $55,993 in fiscal year 2008. Ending net assets of the School were $493,438 compared with $437,445 at June 30, 2007.

- Total assets increased $230,824 from the prior year primarily due to high cash balance on hand at year end as well as increases in the amount of intergovernmental grants the School was entitled to receive at the end of fiscal year 2008.

- The School's operating loss for fiscal year 2008 was $433,765 compared with an operating loss of $116,711 reported for the prior year. An increase in student enrollment plus a high per pupil funding amount resulted in foundation revenues increasing by $387,891 while operating expenses increased by $816,321 over those reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the 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.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2008 compared to those reported for fiscal year 2007.

Table 1
Net Assets

	2008	2007
Assets:		
Current assets	$ 754,104	$ 509,595
Capital assets, net	-	13,685
Total Assets	$ 754,104	$ 523,280
Liabilities		
Current liabilities	$ 260,666	$ 85,835
Total Liabilities	$ 260,666	$ 85,835
Net Assets:		
Invested in capital assets	$ -	$ 13,685
Restricted	3,638	70,390
Unrestricted	489,800	353,370
Total Net Assets	$ 493,438	$ 437,445

The total assets of the School increased by $230,824, which represents a 44.1 percent increase, from total assets reported for fiscal year 2007. The increases in the cash and intergovernmental grants receivables account for the majority of the increase. The cash and cash equivalents at the end of fiscal year 2008 were $175,456 higher than the cash and cash equivalents balance at the end of fiscal year 2007.

Intergovernmental grants receivables reported at June 30, 2008 were $63,570 higher than what was reported one year prior, the majority of this increase was related to the 21st Century Grant awarded to the School for this fiscal year.

Capital assets, net of accumulated depreciation, decreased $13,685 or 100 percent during the current fiscal year. All capital assets for the School were donated to Dayton Public Schools or other Ohio community schools prior to the close of the fiscal year in alignment with Ohio community school closure requirements. (Note: East End Community School ended all school operations at the end of the 2007-2008 school year.)

Total liabilities of the School increased $174,831 over those reported one year ago. The 203.7 percent increase was due in large part to $122,099 in end-of-year accounts payable and to $95,668 in accrued wages payable for stretch pay obligations for the School's teaching and administrative staff.

The total net assets reported for fiscal year 2008 increased by $55,993. Unrestricted net assets increased by $136,430 to $489,800. Net assets invested in capital assets, net of related debt, decreased by $13,685 (due to the disposal of assets at the conclusion of operations) and restricted net assets decreased by $66,752 mainly because of the School's reconciliation for restricted federal funds.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to changes reported for fiscal year 2007.

Table 2
Change in Net Assets

	2008	2007
Operating Revenues:		
Foundation payments	$ 1,852,481	$ 1,464,590
Other operating revenues	115,912	4,536
Non Operating Revenues:		
State and Federal grants	495,202	413,476
Interest earnings	5,795	279
Loss of fixed asset donation	(11,239)	-
Total Revenues	$ 2,458,151	$ 1,882,881
Operating Expenses:		
Salaries	$ 1,143,352	$ 777,458
Fringe benefits	358,360	218,208
Building rental	104,000	75,629
Contracted fiscal services	59,004	52,567
Other purchased services	597,240	372,536
Materials and supplies	87,481	43,864
Depreciation	2,446	4,149
Other expenses	50,275	41,426
Total Expenses	$ 2,402,158	$ 1,585,837
Change in Net Assets	$ 55,993	$ 297,044
Net Assets, beginning of year	437,445	140,401
Net Assets, end of year	$ 493,438	$ 437,445

Total revenue increased $575,270 for fiscal year 2008 compared with the prior fiscal year primarily due to the increased revenue received from increased student enrollment and proceeds from the 21st Century grant.

Expenses reported for fiscal year 2008 were $816,321 higher than the expenses reported for fiscal year 2007 primarily due to increased teaching staff expenses (salaries and benefits), building costs, instruction supplies and other purchased services.

Capital Assets

At the end of fiscal year 2008, the School had $0 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There were no purchases which met the School's capitalization threshold made during the year. See Note 4 of the basic financial statements for additional details.

Debt

At June 30, 2008, the School had no outstanding debt.

Contacting the School

This financial report is designed to provide a general overview of the finances of the East End Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of East End Community School, 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

EAST END COMMUNITY SCHOOL, INC.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including 4 certificates of deposit)	$	612,865
Intergovernmental receivables		132,006
Accounts receivable		9,233
Total current assets		754,104
TOTAL ASSETS	$	754,104
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	122,099
Accrued wages payable		95,668
Intergovernmental payable		20,186
Contracts payable		8,456
Accrued expenses		14,257
Total current liabilities		260,666
TOTAL LIABILITIES	$	260,666
NET ASSETS		
Restricted	$	3,638
Unrestricted		489,800
TOTAL NET ASSETS	$	493,438

See accompanying notes to the financial statements.

EAST END COMMUNITY SCHOOL, INC.

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

OPERATING REVENUES:		
Foundation payments	$	1,852,481
Miscellaneous operating revenues		115,912
Total operating revenues	$	1,968,393
OPERATING EXPENSES		
Salaries	$	1,143,352
Fringe benefits		358,360
Building rental		104,000
Contracted fiscal services		59,004
Other purchased services		597,240
Materials and supplies		87,481
Depreciation		2,446
Other		50,275
Total operating expenses		2,402,158
Operating loss	$	(433,765)
NON-OPERATING REVENUES		
State and Federal grant revenue	$	495,202
Interest earnings		5,795
Loss on fixed asset donation		(11,239)
Total non-operating revenues		489,758
Changes in net assets		55,993
Net assets as beginning of year		437,445
Net assets at end of year	$	493,438

See accompanying notes to the financial statements.

EAST END COMMUNITY SCHOOL, INC.

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

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activites:		
Cash from State of Ohio	$	1,852,481
Cash payments to suppliers from goods and services		(787,585)
Cash payments to employees for services and benefits		(1,437,296)
Other operating revenue		110,429
Net cash used for operating activities	$	(261,971)
Cash flows from noncapital financing activites:		
Federal and State subsidies	$	431,632
Net cash provided by noncapital financing activities	$	431,632
Cash flows from investing activites:		
Interest earnings	$	5,795
Net cash provided by investing activities	$	5,795
NET INCREASE IN CASH AND CASH EQUIVALENTS	$	175,456
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$	437,409
CASH AND CASH EQUIVALENTS, END OF YEAR	$	612,865
Reconcililation of operating loss to net cash used for operating activities		
Operating loss	$	(433,765)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	$	2,446
Changes in assets and liabilities:		
Increase in accounts receivable		(9,233)
Decrease in security deposit		3,750
Increase in accounts payable		101,485
Increase in accrued wages payable		35,541
Increase in intergovernmental payable		15,092
Increase in contracts payable		8,456
Increase in accrued expenses		14,257
Total Adjustments	$	171,794
Net cash used for operating activities	$	(261,971)

See accompanying notes to the financial statements.

1. Description of the School and Reporting Entity:

East End Community School, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing with fiscal year July 1, 2002 through June 30, 2007. During fiscal year 2006, the Sponsor contract was transferred to the Thomas B. Fordham Foundation which acted as the School's Sponsor for fiscal year 2007 and fiscal year 2008.

The School operates under a six-member Board of Trustees (the Board), including one parent who is recommended by the Principal. The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment so a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has an instructional/support facility staffed by one principal and twenty-one full-time and part-time personnel who provide services to approximately 265 students.

After June 30, 2008, the School ceased operations. See Note 13.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with 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

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its 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 difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash.

E. 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 these estimates.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of $500. The School does not have any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Depreciation of equipment is computed using the straight-line method over estimated useful lives of three to fifteen years. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

G. Intergovernmental revenues

The School currently participates in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state educational grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled $1,852,481 and revenues associated with specific education grants from the state and federal governments totaled $495,202 during fiscal year 2008.

H. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are directly generated directly by the School's primary mission. For the School, operating revenues include foundation payments (basic aid and disadvantaged pupil impact aid) received from the State of Ohio. Operating expenses are necessary costs incurred to support the School's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various state and federal grants, as well as interest earnings comprise the non-operating revenues of the School. The loss on capital assets donated to other schools upon termination has also been included as non-operating revenues and expenses (see Note 13).

I. Accrued liabilities payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008, including:

Wages payable – salary payments made after year-end that were services rendered in rendered in fiscal year 2008. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2008 for all salary payments made to teaching personnel during the month of July 2008. Severance stipends of $8,127 were also accrued as of June 30, 2008.

Intergovernmental payable – payment for the employer's share of the retirement contribution ($17,500), Workers' compensation ($1,299) and Medicare ($1,387) associated with services rendered during fiscal year 2008 that were paid in the subsequent fiscal year.

Contracts payable – payment to terminate a copier lease agreement.

Accrued expenses – payment made after the year-end to state Teachers Retirement System ($13,784) and U.S. Treasury ($473).

J. Federal tax exemption status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

The School does not have a policy addressing custodial credit risk for its deposits. At June 30, 2008, the carrying amount of the School's deposits was $612,865 and the bank balance was $709,222. $209,223 of the bank deposits was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

4. Capital Assets:

A summary of the School's capital assets at June 30, 2008, follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital assets being depreciated:				
Equipment	$30,156	_	(30,156)	0
Less: accumulated depreciation on:				
Equipment	(16,471)	(2,446)	18,917	0
Capital assets, net	$13,685	(2,446)	(11,239)	0

5. Risk Management:

Property and liability – The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School contracted with the Erie Insurance Group for business personal property, director and officer liability and general insurance. Building coverage has a $1 million limit and business personal property coverage also carries a $1 million limit, both have a $500 deductible and an aggregate limit of $2 million. Employer liability coverage provides $1 million per loss with a $1,000 deductible. General liability provides $3 million per occurrence and $3 million in the aggregate with no deductible. The Erie Insurance Group also provides teachers professional liability of $1 million per occurrence.

There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in any of the past three years.

Employee insurance benefits – The School utilizes Anthem Blue Cross Blue Shield and Anthem Life Insurance Company to provide medical and life insurance benefits to School employees.

6. 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. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statue per 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 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

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 rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; at June 30, 2007 (the latest information currently available), 10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $30,562, $44,676 and $38,782 respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (800) 227-7877, or by visiting 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 than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007 (the latest information currently available), plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $116,943, $78,066 and $76,931 respectively; 100 percent has been contributed for all fiscal years.

7. Post employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008, 2007, and 2006 was $8,996, $5,576, and $5,324 respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

In additional to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retires and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (latest information currently available) was $93.50; SERS' reimbursement to retires was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007, the actuarially required allocation was .68%. The School contributions for the year ended June 30, 2008 were $2,078, which equaled the required contributions for the year.

B. Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (latest information currently available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School contributions for the years ended June 30, 2008, 2007, and 2006 were $14,254, $14,666, and $9,474 respectively.

An Additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated accordingly to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater then 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (latest information currently available), the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

8. Restricted Net Assets:

At June 30, 2008 the School reported restricted net assets totaling $3,638. The nature of the net asset restrictions are as follows:

Federal specific educational program grants	$3,638
Total	$3,638

9. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and 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. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2008, as a result of such review.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

10. Operating Leases:

The School leases its facilities from the Holy Family Roman Catholic Church under a year-to-year lease agreement with the Church. For the period of July 1, 2007 to June 30, 2008, the monthly lease payments totaled $104,000. The security deposit was refunded after the year ending June 30, 2008 upon termination of lease.

The School also entered into a minimum 16 month copier lease agreement on January 14, 2008.

11. Other Purchased Services:

During the fiscal year ended June 30, 2008, other purchased service expenses for services rendered by various vendors were as follows:

Professional and technical services	$ 225,162
Property services	54,881
Meetings and Travel	2,442
Communications	6,228
Utilities	91,625
Contracted craft or trade services	162,839
Tuition	608
Pupil transportation	3,528
Other	49,927
	$ 597,240

12. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.

2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.

3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

The total fee paid for these services during fiscal year 2008 was $54,000.

Note: In addition to the fiscal services agreement described above, the School also entered into an agreement with M&A on June 16, 2008 for the provision of CCIP Consulting Services, including consulting for the School's 21st Century grant at standard M&A hourly rates, not to exceed $5,000.

13. Operations Terminated after June 30, 2008:

After June 30, 2008, the School ceased operations. All fixed capital assets were donated to Dayton Public Schools and/or other Ohio community schools. Cash and equivalent at June 30, 2008 will be used to satisfy liabilities of the School. Once the liabilities are satisfied and audits are complete, a final check will be issued to the Ohio Department of Education for the balance of all remaining funds.

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Certified Public Accountants
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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*

East End Community School, Inc.
Montgomery County
111 Xenia Avenue
Dayton, Ohio 45410

To the Board of Trustees:

We have audited the financial statements of the East End Community School, Inc. (the "School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued a report thereon dated December 15, 2008, wherein we noted the School ceased operations as of June 30, 2008. 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.

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, grants 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 finance committee, management and the Board of Education. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
December 15, 2008

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2007, reported no material citations or recommendations.

Mary Taylor, CPA
Auditor of State

EAST END COMMUNITY SCHOOL

MONTGOMERY 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
MAY 7, 2009