



**Auditor of State  
Betty Montgomery**



**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Cincinnati College Preparatory Academy  
Hamilton County  
1425 Linn Street  
Cincinnati, Ohio 45202

To the Victory Team (Board):

We have audited the accompanying Basic Financial Statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Academy'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 Academy, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with auditing principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Academy implemented a new financial reporting model, as required by the provisions of Governmental Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2005 on our consideration of the Academy'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*. You should read it in conjunction with this report 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, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of federal awards expenditures is required by U.S. office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subject the schedule of federal awards expenditures to the auditing procedures applied in the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

July 12, 2005

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

The discussion and analysis of the Cincinnati College Preparatory Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 increased \$165,285 which represents a 17 percent increase from 2003. This increase was due to an increase in students and a related increase in state foundation monies and Disadvantaged Pupil Instructional Aid. There was also an increase in federal subsidies.
- Total assets increased \$1,140,204 which represents a 974 percent increase from 2003. This was primarily due to the purchase and renovation of a school building; previously the Academy had leased its facility. There was also an increase in federal subsidies.
- Liabilities increased \$974,919, which represents a 539 percent increase from 2003. The Academy incurred a \$790,000 mortgage related to the acquisition of a new school building. Accrued wages and benefits increased by \$84,204. Accounts payable increased by \$93,251. The increase in payables was primarily due to the renovations performed and unpaid to the new school building. In fiscal year 2003, SERS benefits were paid directly by the Academy and in fiscal year 2004 the benefits were deducted from the state foundation payments made to the Academy. 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, "What is our financial position at June 30, 2004?" 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 Academy's net assets for fiscal year 2004 and fiscal year 2003:

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

(Table 1)

**Net Assets**

	2004	2003
<b>Assets</b>		
Current Assets	\$541,638	\$976,475
Capital Assets, Net	1,768,867	193,826
Total Assets	2,310,505	1,170,301
<b>Liabilities</b>		
Current Liabilities	276,225	98,770
Non-Current Liabilities	879,317	81,853
Total Liabilities	1,155,542	180,623
<b>Net Assets</b>		
Invested in Capital Assets	1,768,867	193,826
Unrestricted	(613,904)	795,852
Total Net Assets	\$1,154,963	\$989,678

Total assets increased \$1,140,204. This increase was primarily due to the purchase of a building, renovations performed on the building, an increase in student enrollment and federal and state subsidies. Cash and cash equivalents decreased by \$45,539 from 2003. Intergovernmental Receivables decreased by \$428,433. This decrease was due to the timing of the receipt of some grants. Because it was the first year of operation, some of the receipts from fiscal year 2003 grants were not received until fiscal year 2004. Capital Assets, net of depreciation increased by \$1,575,041.



**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)

**Change in Net Assets**

	2004	2003
Operating Revenues:		
Charges for Services and Sales	\$12,838	\$14,370
Foundation Payments	2,249,060	2,104,311
Disadvantaged Pupil Impact Aid	356,171	427,641
Other Receipts	1,740	10,744
Non-Operating Revenues:		
Federal and State Grants	851,997	572,429
Interest	7	0
Total Revenues	3,471,813	3,129,495
Operating Expenses		
Salaries	1,329,381	1,022,470
Fringe Benefits	341,506	342,592
Purchased Services	886,099	763,910
Materials and Supplies	430,098	336,059
Capital Outlay	54,534	0
Depreciation	183,670	130,713
Other Expenses	81,240	72,889
Total Expenses	3,306,528	2,668,633
Increase in Net Assets	\$165,285	\$460,862

Net assets increased from 2003 to 2004, the amount of change in net assets from the beginning to the end of the year was \$165,285. There was an increase in revenues of \$342,318 and an increase in expenses of \$637,666 from 2003. Of the increase in revenues, foundation payments increased by \$144,749 and the Disadvantaged Pupil Impact Aid decreased by \$71,470. Community Schools receive no support from tax revenues.

The expense for salaries increased by \$306,911 and the expense for fringe benefits decreased by \$1,086 from 2003. This was primarily due to an increase in staff salaries during fiscal year 2004 while having employees pay an increase in health care coverage. Material and supplies expense increased by \$94,039 from 2003. Due to the acquisition of the new building, more supplies were purchased to replace old and outdated materials and textbooks. Depreciation expense increased by \$52,957, primarily because of the new building. According to the Academy's capital asset policy, depreciation is expensed for new capital assets in the each month beginning in the month they are purchased.

**Capital Assets**

At the end of fiscal year 2004 the Academy had \$1,768,867 invested in buildings and building improvements, furniture, fixtures, and equipment, and vehicles, which represented an increase of \$1,575,041,288 from 2003. Table 3 shows fiscal year 2004 and fiscal year 2003:

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

(Table 3)

**Capital Assets at June 30, 2004**

**(Net of Depreciation)**

	<u>2004</u>	<u>2003</u>
Building and Building Improvements	\$2,137,369	\$405,710
Furniture, Fixtures, and Equipment	282,955	255,903
Less: Accumulated Depreciation	<u>(651,457)</u>	<u>(467,787)</u>
Totals	<u><u>\$1,768,867</u></u>	<u><u>\$193,826</u></u>

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

**Current Financial Issues**

The Cincinnati College Preparatory Academy was formed in 1999. During the 2003-2004 school year, there were approximately 435 students enrolled in the Academy. The Academy had approximately the same amount of students for the 2003-2002 school year. The Academy receives its finances mostly from state aide. Per pupil aide for fiscal year 2004 amounted to \$5,906 per student. Per pupil aide for fiscal year 2003 amounted to \$5,713 per student. The average number of years experience for teachers was 3 years.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Stephanie Millard, Treasurer at CCPA, 1425 Linn Street, Cincinnati, Ohio 45214 or e-mail at [stephanie.millard@zoomtown.com](mailto:stephanie.millard@zoomtown.com).

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

**Assets**

**Current Assets:**

Cash and Cash Equivalents	\$479,165
Intergovernmental Receivables	23,338
Accounts Receivable	<u>39,135</u>
Total Current Assets	541,638

**Non-Current Assets:**

Depreciable Capital Assets, Net	<u>1,768,867</u>
Total Non-Current Assets	1,768,867

Total Assets \$2,310,505

**Liabilities**

**Current Liabilities:**

Accounts Payable	114,270
Accrued Wages and Benefits	<u>161,955</u>
Total Current Liabilities	276,225

**Non-Current Liabilities**

Due In More Than One Year	<u>879,317</u>
Total Non-Current Liabilities	879,317

Total Liabilities 1,155,542

**Net Assets**

Invested in Capital Assets:	1,768,867
Unrestricted	<u>(613,904)</u>

Total Net Assets \$1,154,963

*See accompanying notes to the basic financial statements*

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Operating Revenues</b>	
Basic Formula	\$2,191,579
DPIA	356,171
Special Education	35,787
Other Receipts	1,740
Charges for Services	<u>12,838</u>
 Total Operating Revenues	 2,598,115
<b>Operating Expenses</b>	
Salaries	1,329,381
Fringe Benefits	341,506
Purchased Services	886,099
Materials and Supplies	430,098
Depreciation	183,670
Capital Outlay	54,534
Other	<u>81,240</u>
 Total Operating Expenses	 3,306,528
 Operating Loss	 (708,413)
<b>Non-Operating Revenues and Expenses</b>	
Other Federal and State Grants	572,455
Federal and State Meal Subsidies	279,542
Property Tax Allocation	21,694
Interest	<u>7</u>
 Total Non-Operating Revenues and Expenses	 873,698
 Change in Net Assets	 165,285
 Net Assets Beginning of Year	 <u>989,678</u>
 Net Assets End of Year	 <u><u>\$1,154,963</u></u>

*See accompanying notes to the basic financial statements*

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from State of Ohio	\$2,974,575
Cash Payments to Employees for Services and Benefits	(1,570,172)
Cash Payments to Suppliers for Goods and Services	(1,367,767)
Other Operating Revenue	12,838
	<hr/>

Net Cash Provided by Operating Activities 49,474

**Cash Flows from Noncapital Financing Activities:**

State and Federal Grants Received	873,691
	<hr/>

Net Cash Provided by Noncapital Financing Activities 873,691

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	(968,711)
	<hr/>

Net Cash Used for Noncapital Financing Activities (968,711)

**Cash Flows from Investing Activities:**

Cash Received from Interest Revenue	7
	<hr/>

Net Cash Provided from Investing Activities 7

Net Increase in Cash and Cash Equivalents (45,539)

Cash and Cash Equivalents at Beginning of Year 

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524,704

Cash and Cash Equivalents at End of Year 

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\$479,165

(continued)

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Reconciliation of Operating Income to Net  
Cash Used for Operating Activities:**

Operating Loss (\$708,413)

**Adjustments to Reconcile Operating  
Income to Net Cash Provided by Operating Activities**

Depreciation	183,670
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(39,135)
Decrease in Intergovernmental Receivable	428,433
Increase in Accounts Payable	93,251
Increase in Compensated Absences	7,464
Increase in Accrued Wages and Benefits	<u>84,204</u>
Total Adjustments	<u>757,887</u>

Net Cash Provided by Operating Activities \$49,474

**Noncash Capital Financing Activities**

Capital assets acquired through financing \$790,000

*See accompanying notes to the basic financial statements*

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades one through eight. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. Cincinnati College Preparatory Academy 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 Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy has a new sponsorship agreement with the Lucas County Educational Service Center beginning on July 1, 2005.

The Academy operates under the direction of a seven-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract 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 of Directors controls the Academy's one instructional/support facility staffed by 6 non-certified and 29 certificated full time teaching personnel who provide services to 435 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cincinnati College Preparatory Academy 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 Academy 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 with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

**A. Basis Of Presentation**

The Academy'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 Academy finances and meets the cash flow needs of its enterprise activities.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**C. Basis of Accounting**

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

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

Non-exchange transactions, in which the Academy 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy 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 Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

**E. 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 Academy maintains a capitalization threshold of one thousand dollars. The Academy 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:

Buildings and Building Improvements	1 - 50 years
Furniture, Fixtures and Equipment	5 years
Vehicles	5 years



**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**F. Compensated Absences**

On October 24, 2002, the Academy revised their sick and vacation leave policy. Beginning with the fiscal year ending June 30, 2003, school employees would not earn sick or vacation leave. No new accruals for compensated absences were made during the fiscal year. However, the Academy is still liable for leave that existed prior to the change in policy. The liability increased \$7,464 from the previous fiscal year.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Assets, net of related debt 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.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**I. 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.

**3. DEPOSITS**

At fiscal year end, the carrying amount of the Academy's deposits was \$479,165, and the bank balance was \$486,272. Of the bank balance, \$100,000 was covered by federal depository insurance and \$386,272 was collateralized with securities held in a single financial institution's pool of investments pledged to collateralize all public deposits. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Academy's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

**4. RECEIVABLES**

Receivables at June 30, 2004, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004:

	6/30/03 Balance	Additions	Deletions	6/30/04 Balance
<b>Business-Type Activity</b>				
Capital Assets Being Depreciated				
Buildings and Improvements	\$405,710	\$1,731,659	\$0	\$2,137,369
Furniture, Fixtures, and Equipment	255,903	27,052	0	282,955
Total Capital Assets				
Being Depreciated	661,613	1,758,711	0	2,420,324
Less Accumulated Depreciation:				
Buildings and Improvements	285,168	129,557	0	414,725
Furniture, Fixtures, and Equipment	182,619	54,113	0	236,732
Total Accumulated Depreciation	467,787	183,670	0	651,457
Total Capital Assets				
Being Depreciated, Net	193,826	1,575,041	0	1,768,867
Business-Type Activity				
Capital Assets, Net	<u>\$193,826</u>	<u>\$1,575,041</u>	<u>\$0</u>	<u>\$1,768,867</u>

**6. RISK MANAGEMENT**

**A. Property and Liability**

The Academy 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 2004, the Academy contracted with the O'Neill Group for general liability and property insurance and for educational errors and omissions insurance.

Coverages are as follows:

Building and Contents (\$1,000 deductible)	\$1,000,000
Boiler and Machinery (\$1,000 deductible)	1,000,000
Business Personal Property (\$1,000 deductible)	1,000,000
Educational Errors and Omissions (\$1,000 each loss)	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000

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

**B. Workers' Compensation**

The Academy pays the State Workers' 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.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy 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.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current school rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 8.17 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$34,980, \$30,044, and \$44,642 respectively; 95 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$19,889, representing the unpaid contribution for fiscal year 2004, is recorded as a liability.

**B. State Teachers Retirement System of Ohio**

The Academy 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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003 and 2002 were \$159,999, \$137,420 and \$85,292 respectively; 99.9 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**8. POSTEMPLOYMENT BENEFITS**

The Academy 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, 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 on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored 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 Ohio. Most 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, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$9,605 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the Academy, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$19,030.

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. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**9. EMPLOYEE BENEFITS**

**A. Insurance Benefits**

The Academy provides life and medical/surgical and dental benefits to most employees through United Health Care of Ohio.

**10. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**11. CONTINGENCIES**

**A. Grants**

The Academy 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2004.

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. CONTINGENCIES (Continued)**

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2004, the review is pending completion in January 2005. For the Academy, there was an insignificant variance between the amount received to date and the final payment in 2003; an insignificant variance is expected for fiscal year 2004 also. This variance will have no effect on the financial standing of the Academy.

**C. 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 constitutional 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. The effect of this suit, if any, on the Academy is not presently determinable.

**12. OPERATING LEASE**

During the year ended June 30, 2000, the Academy leased classroom facilities and offices for a period of five years. The lease also grants the Academy an option to renew the lease for an additional five years. The lease payments are \$23,282 a month payable in monthly installments. Payments totaled \$279,384 for fiscal year 2004. The Academy cancelled the lease in the 2005 fiscal year.

**13. RELATED PARTY TRANSACTIONS**

The Academy engaged in a related party transaction during the school. The Academy contracted with Huber General Contracting, which is owned by Board member Wayne Huber, for general construction services on the school building. Mr. Huber abstained from all votes relating to the contract decisions. The Academy paid Huber General Contracting a total of \$595,827 during the school year.

**14. PURCHASED SERVICES**

For the year ended June 30, 2004, purchased service expenses were comprised of the following:

Physical Education	\$1,631
Travel and Meetings	2,346
Professional and Technical	316,457
Communication	99,515
Property Services	316,690
Utilities	131,802
Other	17,658
Total Purchased Services	<u><u>\$886,099</u></u>

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. LONG TERM LIABILITIES**

For the year ended June 30, 2004, the Academy had the following liabilities:

	<u>2004</u>	<u>2003</u>
Compensated Absences	89,317	81,853
Building Loan	<u>790,000</u>	<u>0</u>
Total	<u><u>\$879,317</u></u>	<u><u>\$83,853</u></u>

**16. BUILDING LOAN**

In August of 2003, the Academy purchased a building and entered into a mortgage loan for \$790,000 to finance the purchase. The loan carries a five-year amortization, a floating interest rate of prime plus .5, and is renewable. Only was interest paid during the first year of amortization. The principal and interest are scheduled at the following amounts:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	0	30,217	30,217
2005	29,058	40,248	69,306
2006	36,583	39,077	75,660
2007	38,550	37,110	75,660
2008	<u>685,809</u>	<u>35,037</u>	<u>720,846</u>
Total	<u><u>\$790,000</u></u>	<u><u>\$181,689</u></u>	<u><u>\$971,689</u></u>

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**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$90,300	\$90,300
National School Lunch Program	LL-P1 & LL-P4	10.555	<u>178,705</u>	<u>178,705</u>
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b><u>269,005</u></b>	<b><u>269,005</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (Title VI-B)	6B-SF	84.027	<u>40,713</u>	<u>54,782</u>
Total Special Education Cluster			<u>40,713</u>	<u>54,782</u>
Grants to Local Educational Agencies (Title I)	C1-S1	84.010	695,808	695,808
Drug-Free Schools Grant	DR-S1	84.186	8,744	8,744
Innovative Education Program Strategies (Title VI)	C2-S1	84.298	6,179	6,179
Improving Teacher Quality Grant (Title II-A)	TR-S1	84.367	116,668	116,668
Technology Literacy Challenge Grant (Title II-D)	TJ-S1	84.318	18,927	18,927
<b>Total U.S. Department of Education</b>			<b><u>887,039</u></b>	<b><u>901,108</u></b>
<b>Total Federal Assistance</b>			<b><u>\$1,156,044</u></b>	<b><u>\$1,170,113</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes the activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Cincinnati College Preparatory Academy  
Hamilton County  
1425 Linn Street  
Cincinnati, Ohio 45202

To the Victory Team (Board):

We have audited the basic financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, and have issued our report thereon dated July 12, 2005. We conducted our audit in accordance with the 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 Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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.

We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated July 12, 2005, we reported matters involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy'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 no instances of noncompliance that we must report under *Government Auditing Standards*.

Cincinnati College Preparatory Academy  
Hamilton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, Victory Team (Board), federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 12, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Cincinnati College Preparatory Academy  
Hamilton County  
1425 Linn Street  
Cincinnati, Ohio 45202

To the Victory Team (Board):

#### Compliance

We have audited the compliance of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that OMB A-133 requires us to report.

### **Internal Control Over Compliance**

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, and regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, in a separate letter to the Academy's management dated July 12, 2005, we reported a matter related to internal control over compliance not requiring inclusion in this report.

We intend this report solely for the information and use of the audit committee, management, the Victory Team (Board), federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 12, 2005

**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.027 Title VI-B CFDA# 10.550 and 10.555 Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**CINCINNATI COLLEGE PREPARATORY ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2003-001	Use of Purchase Orders	Yes	Corrected in FY2004.
2003-002	Credit Card Policy and Supporting Documentation	No	Partially corrected. Reissued in management letter.





**Auditor of State  
Betty Montgomery**

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**CINCINNATI COLLEGE PREPARATORY ACADEMY  
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  
AUGUST 9, 2005**