CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

June 30, 2005

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Mary Taylor, CPA
Auditor of State

Board of Directors
Cincinnati College Preparatory Academy
1425 Linn Street
Cincinnati, Ohio 45214

We have reviewed the *Independent Auditors' Report* of the Cincinnati College Preparatory Academy, Hamilton County, prepared by VonLehman and Company, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Cincinnati College Preparatory Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
TABLE OF CONTENTS

VON LEHMAN + COMPANY INC.

INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Cincinnati College Preparatory Academy
Hamilton County
Cincinnati, Ohio

We have audited the accompanying financial statements of Cincinnati College Preparatory Academy, Hamilton County, as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cincinnati College Preparatory Academy, Hamilton County management. Our responsibility is to express opinions 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, and the audit requirements included as an appendix to the state audit contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cincinnati College Preparatory Academy, Hamilton County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006, on our consideration of the Cincinnati College Preparatory Academy, Hamilton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

The management's discussion and analysis information on pages 1 through 4 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cincinnati College Preparatory Academy, Hamilton County, basic financial statements. The

4755 Lake Forest Drive √ Suite 100 √ Cincinnati, OH √ 45242-3836 √ 513-891-5911 √ 513-891-5969 *fax*

CPAs & Advisors

250 Grandview Drive √ Suite 300 √ Fort Mitchell, KY √ 41017-5610 √ 859-331-3300 √ 859-331-4358 *fax*

accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Cincinnati College Preparatory Academy, Hamilton County. The supplementary schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
March 24, 2006

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the Cincinnati College Preparatory Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2005. 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 Governments 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 $295,000 which represents a 26% increase from 2004. This increase was due to an increase in students and a related increase in state foundation monies and Disadvantaged Pupil Instructional Aid.

Total assets increased $837,000 which represents a 36% increase from 2004. This was primarily due to the Academy investing in a Limited Liability Company (LLC) which now holds the building that the Academy once owned. The Academy incurred a $700,000 liability for additional paid in capital to the LLC for leasehold improvements.

Liabilities increased $542,000, which represents a 47% increase from 2004. The Academy incurred a $700,000 note payable related to the investment in the LLC noted above. Accrued wages and benefits increased by $60,000. Accounts payable decreased by $99,000. The decrease in payables was primarily due to the renovations performed and unpaid to the new school building last year that were paid for in the 2005 year.

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, 2005?" 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 2005 and fiscal year 2004:

Table 1
Net Assets
(In Thousands)

	2005	2004
Assets		
Current Assets	$ 590,553	$ 541,638
Capital Assets, Net	1,106,546	1,768,867
Investment in LLC	1,450,646	-
Total Assets	3,147,745	2,310,505
Liabilities		
Current Liabilities	271,174	276,225
Non-Current Liabilities	1,426,309	879,317
Total Liabilities	1,697,483	1,155,542
Net Assets		
Invested in Capital Assets	1,106,546	1,768,867
Unrestricted	343,716	(613,904)
Total Net Assets	$ 1,450,262	$1,154,963

Total assets increased $837,000. This increase was primarily due to the investment in the LLC, an increase in student enrollment and federal and state subsidies. Cash and cash equivalents increased approximately $88,000 from 2004. Intergovernmental Receivables decreased by $37,000. This decrease was due to the timing of the receipt of some grants. Some of the receipts from fiscal year 2005 grants were not received until fiscal year 2006. Capital Assets, net of depreciation decreased by $662,000. This decrease is due to the formation of the LLC, to which the Academy contributed its building. The Academy will begin to pay rent to the LLC.

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Table 2 shows the changes in net assets for fiscal year 2005 and fiscal year 2004, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets
(In Thousands)

	2005	2004
Operating Revenues		
Charges for Services	$ 15,647	$ 12,838
Foundation Payments	2,705,482	2,249,060
Disadvantaged Pupil Impact Aid	614,437	356,171
Other Receipts	23,075	1,740
Non-Operating Revenues		
Federal and State Grants	917,289	851,997
Interest	17	7
Gain on Disposal of Capital Assets	24,733	-
Total Revenues	4,300,680	3,471,813
Operating Expenses		
Salaries	1,562,808	1,329,381
Fringe Benefits	324,423	341,506
Purchased Services	971,840	886,099
Materials and Supplies	769,457	430,098
Depreciation	110,318	183,670
Capital Outlay	128,689	54,534
Other Expenses	127,973	81,240
Total Operating Expenses	3,995,508	3,306,528
Non-Operating Expense		
Loss on Investment in LLC	9,873	-
Increase in Net Assets	$ 295,299	$ 165,285

Net assets increased from 2004 to 2005, by $295,000. Revenues increased $829,000 and expenses increased $699,000 over 2004. Of the increase in revenues, foundation payments increased by $456,000 and the Disadvantaged Pupil Impact Aid increased by $258,000. Community Schools receive no support from tax revenues.

The expense for salaries increased by $233,000 and the expense for fringe benefits decreased by $17,000 from 2004. This was primarily due to an increase in staff salaries during fiscal year 2005 while having employees pay an increase in health care coverage. Material and supplies expense increased by $339,000 from 2004. Supplies were purchased to replace old and outdated materials and textbooks and the cost of food increased. Depreciation expense decreased by $73,000, primarily because the building was transferred to the LLC. According to the Academy's capital asset policy, depreciation is expensed for new capital assets in each month beginning in the month they are purchased.

Capital Assets

At the end of fiscal year 2005 the Academy had $1.1 million invested in building improvements, furniture, fixtures and equipment, and vehicles, which represented a decrease of $662,000 from 2004. Table 3 shows fiscal year 2005 and fiscal year 2004:

Table 3
Capital Assets at June 30, 2005
(Net of Depreciation)
(In Thousands)

	2005	2004
Building and Building Improvements	$ 1,088,369	$ 2,137,369
Furniture, Fixtures, and Equipment	286,562	282,955
Vehicles	62,948	-
Less Accumulated Depreciation	(331,333)	(651,457)
Totals	$ 1,106,546	$ 1,768,867

The significant decrease is due to the transfer of the building to the LLC. 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 2004-2005 school year, there were approximately 490 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2005 amounted to $6,775 per student. Per pupil aid for fiscal year 2004 amounted to $5,906 per student. The average number of years experience for teachers was 5 years.

Contacting the School'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.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	567,224
Intergovernmental Receivables		16,509
Accounts Receivable		6,820
Total Current Assets		590,553
Noncurrent Assets		
Depreciable Capital Assets, Net		1,106,546
Investment in LLC		1,450,646
Total Noncurrent Assets		2,557,192
Total Assets		3,147,745
LIABILITIES		
Current Liabilities		
Accounts Payable		15,575
Accrued Wages and Benefits		221,977
Current Portion of Long Term Debt		33,622
Total Current Liabilities		271,174
Long-Term Liabilities		
Long-Term Portion of Long Term Debt		1,426,309
Total Liabilities		1,697,483
Net Assets		
Invested in Capital Assets		1,106,546
Unrestricted		343,716
Total Net Assets	$	1,450,262

See accompanying notes.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2005

Operating Revenues		
Basic Formula	$	2,593,122
Disadvantaged Pupil Impact Aid		614,437
Special Education		112,360
Other Receipts		23,075
Charges for Services		15,647
Total Operating Revenues		3,358,641
Operating Expenses		
Salaries		1,562,808
Fringe Benefits		324,423
Purchased Services		971,840
Materials and Supplies		769,457
Depreciation		110,318
Capital Outlay		128,689
Other Operating Expenses		127,973
Total Operating Expenses		3,995,508
Operating Loss		(636,867)
Non-Operating Revenues (Expenses)		
Other Federal and State Grants		656,369
Federal and State Meal Subsidies		236,803
Property Tax Allocation		24,117
Interest		17
Gain on Disposal of Capital Assets		24,733
Loss on Investment in LLC		(9,873)
Total Non-Operating Revenues		932,166
Change in Net Assets		295,299
Net Assets July 1, 2004		1,154,963
Net Assets June 30, 2005	$	1,450,262

See accompanying notes.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

Cash Flows from Operating Activities	
Cash Received from	
State of Ohio	$ 3,365,883
Other Operating Revenue	31,902
Cash Paid to/for	
Employees for Services and Benefits	(1,916,524)
Suppliers for Goods and Services	(2,096,654)
Net Cash Used by Operating Activities	(615,393)
Cash Flows from Noncapital Financing Activities	
Federal and State Grants Received	917,289
Cash Flows from Capital Financing Activities	
Acquisition of Capital Assets	(403,266)
Payments on Long Term Debt	(30,069)
Net Cash Used by Capital Financing Activities	(433,335)
Cash Flows from Investing Activities	
Interest Income	17
Return of Capital from Investment in LLC	219,481
Net Cash Provided by Investing Activities	219,498
Net Change in Cash	88,059
Cash and Cash Equivalents July 1, 2004	479,165
Cash and Cash Equivalents June 30, 2005	$ 567,224
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (636,867)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	110,318
Changes in Assets and Liabilities	
Decrease in Receivables	39,144
Decrease in Accounts Payable	(98,695)
Increase in Accrued Wages and Benefits	(29,293)
Net Cash Used by Operating Activities	$ (615,393)

See accompanying notes.

NOTE 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 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The 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 sponsorship agreement with the Lucas County Educational Service Center that began 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 certified full time teaching personnel who provide services to 495 students.

NOTE 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.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. 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.

Supplemental Disclosure of **Cash Flow Information**

The School had the following noncash investing and financing activities:

Issuance of Note Payable for Interest in LLC	$ 700,000

NOTE 3 – DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was $567,224, and the bank balance was $597,542. Of the bank balance, $100,000 was covered by federal depository insurance and $497,542 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.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental and sponsor grants. All receivables are considered collectible in full and will be received within one year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Business-Type Activity				
Capital Assets Being Depreciated				
Buildings and Improvements	$ 2,137,369	$ 336,711	$ 1,385,711	$ 1,088,369
Furniture, Fixtures and Equipment	282,955	3,607	-	286,562
Vehicles	-	62,948	-	62,948
Total Capital Assets Being Depreciated	2,420,324	403,266	1,385,711	1,437,879
Less Accumulated Depreciation				
Buildings and Improvements	414,725	61,511	430,442	45,794
Furniture, Fixtures and Equipment	236,732	47,757	-	284,489
Vehicles	-	1,050	-	1,050
Total Accumulated Depreciation	651,457	110,318	430,442	331,333
Total Capital Assets Being Depreciated, Net	1,768,867	292,948	955,269	1,106,546
Business-Type Activity, Capital Assets, Net	$ 1,768,867	$ 292,948	$ 955,269	$ 1,106,546

NOTE 6 – INVESTMENT IN LIMITED LIABILITY COMPANY (LLC)

In February, 2005, the Academy entered into an agreement with The Young Men's Christian Association of Greater Cincinnati (YMCA) to form West End Cincinnati Victory Partners LLC (LLC). The purpose of the LLC is to own and maintain the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC. The YMCA is the managing partner of the LLC.

NOTE 7 – LONG-TERM LIABILITIES

As of June 30, 2005, the Academy had the following liabilities:

	2005	2004
Compensated Absences	$ -	$ 89,317
Building Loan	759,931	790,000
Note Payable – YMCA	700,000	-
Total	$ 1,459,931	$ 879,317

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 the prime rate plus .50%, and is renewable. (The prime rate was 6.25% at June 30, 2005). Only interest was paid during the first year of amortization. The principal and interest are scheduled at the following amounts:

Years Ending June 30,	Principal	Interest	Total
2006	$ 33,622	$ 50,268	$ 83,890
2007	35,963	47,927	83,890
2008	690,346	45,423	735,769
Total	$ 759,931	$ 143,618	$ 903,549

In April, 2004, the Academy signed a note payable for $700,000 to it's co-investor in the LLC for leasehold improvements made to the building which the LLC owns. The note is non-interest bearing with equal quarterly installments due beginning in August, 2007. The principal amounts are scheduled at the following:

2006	$ -
2007	140,000
2008	140,000
2009	140,000
2010	140,000
Thereafter	140,000
	$ 700,000

NOTE 8 – RISK MANAGEMENT

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 2005, 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:

Buildings 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.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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 financial report that includes financial statements and required supplementary information. The stand-alone report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current school rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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, 2005, 2004, and 2003 were $39,040, $34,980, and $30,044 respectively; 93% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. $2,920, representing the unpaid contribution for fiscal year 2005, is recorded as a liability.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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% 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, 2005, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004 and 2003 were $170,726, $159,999 and $137,420 respectively; 85% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. $25,238, representing the unpaid contribution for fiscal year 2005, is recorded as a liability.

NOTE 10 – POST-EMPLOYMENT BENEFITS

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

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

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 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 funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $10,254 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS had 111,853 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. All retirees and beneficiaries are required to pay a portion of their premiums for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400; however, the surcharge is capped at 2% of each employer’s SERS salaries. For the Academy, the amount contributed to fund health care benefits during the 2005 fiscal year equaled $10,254.

The surcharge, added to the unallocated portion of the 14% 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% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 11 – EMPLOYEE BENEFITS

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

NOTE 12 – 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.

NOTE 13 – CONTINGENCIES

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, 2005.

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 2005, the review is pending completion in January 2006. For the Academy, there was an insignificant variance between the amount received to date and the final payment in 2004; an insignificant variance is expected for fiscal year 2005 also. This variance will have no effect on the financial standing of the Academy.

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. This matter has been put on delay until the Ohio Supreme Court issues its opinion involving similar issues. The effect of this suit, if any, on the Academy is not presently determinable.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Academy engaged in a related party transaction during the school year. The Academy contracted with a construction company, which is owned by a Board member, for general construction services on the school building. The Board member abstained from all votes relating to the contract decisions. The Academy paid the contractor a total of $467,519 during the school year.

NOTE 15 – PURCHASED SERVICES

For the year ended June 30, 2005, purchased service expenses were comprised of the following:

Physical Education	$ 285
Travel and Meetings	13,575
Professional and Technical	511,190
Communication	142,417
Property Services	190,070
Utilities	108,883
Other	5,420
Total Purchased Services	$ 971,840

SUPPLEMENTAL INFORMATION

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements	
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education:					
Nutrition Cluster:					
School Breakfast Program (3)	05-PU	10.553	$ 72,342	$ 72,342	
National School Lunch Program (3)	LL-P1 & LL-P4	10.555	150,122	150,122	
Total U.S. Department of Agriculture - Nutrition Cluster			222,464	222,464	
U.S. DEPARTMENT OF EDUCATION					
Passed *Through Ohio Department of Education*					
Special Education Cluster:					
Special Education Grants to States (Title VI-B) (3)	6B-SF	84.027	107,646	107,646	
Total Special Education Cluster			107,646	107,646	
Grants to Local Educational Agencies (Title 1) (2)	C1-S1	84.010	494,912	494,912	(1)
Drug-Free Schools Grant (3)	DR-S1	84.186	7,859	7,859	
Innovative Education Program Strategies (Title VI) (3)	C2-S1	84.298	2,525	2,525	
Improving Teacher Quality Grant (Title II-A) (3)	TR-S1	84.367	54,508	54,508	
Technology Literacy Challenge Grant (Title II-D) (3)	TJ-S1	84.318	12,625	12,625	
Total U.S. Department of Education			680,075	680,075	
Total Federal Assistance			$ 902,539	$ 902,539	

(1) Denotes Major Program
(2) Type A Programs ($300,000 and Greater)
(3) Type B Programs (All Others)

See accompanying notes.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Academy and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

VON LEHMAN + COMPANY INC.

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

State Committee for School District Audits
Cincinnati College Preparatory Academy, Hamilton County
Cincinnati, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining find information for the Cincinnati College Preparatory Academy, Hamilton County as of and for the year ended June 30, 2005, and have issued our report thereon dated March 24, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements included as an appendix to the state audit contract.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the Cincinnati College Preparatory Academy, Hamilton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Cincinnati College Preparatory Academy, Hamilton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of the School in a separate report dated March 24, 2006.

This report is intended solely for the information and use of the audit committee, management, Victory Team (Board), federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
March 24, 2006

4755 Lake Forest Drive √ Suite 100 √ Cincinnati, OH √ 45242-3836 √ 513-891-5911 √ 513-891-5969 fax

CPAs & Advisors

250 Grandview Drive √ Suite 300 √ Fort Mitchell, KY √ 41017-5610 √ 859-331-3300 √ 859-331-4358 fax

VON LEHMAN + COMPANY INC.

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

State Committee for School District Audits
Cincinnati College Preparatory Academy, Hamilton County
Cincinnati, Ohio

Compliance

We have audited the compliance of the Cincinnati College Preparatory Academy, Hamilton County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Cincinnati College Preparatory Academy, Hamilton County's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion of the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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"; and the audit requirements included as an appendix to the state audit contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as 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 Cincinnati College Preparatory Academy, Hamilton County's compliance with those requirements.

In our opinion, the Cincinnati College Preparatory Academy, Hamilton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the Cincinnati College Preparatory Academy, Hamilton County 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 Cincinnati College Preparatory Academy, Hamilton County'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

4755 Lake Forest Drive √ Suite 100 √ Cincinnati, OH √ 45242-3836 √ 513-891-5911 √ 513-891-5969 *fax*

CPAs & Advisors

250 Grandview Drive √ Suite 300 √ Fort Mitchell, KY √ 41017-5610 √ 859-331-3300 √ 859-331-4358 *fax*

relatively low level the risk that noncompliance with applicable requirements of laws, 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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Victory Team (Board), federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
March 24, 2006

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____Yes	__√__No
Reportable condition(s) identified not considered to be material weaknesses?	_____Yes	__√__None Reported
Noncompliance material to financial statements noted?	_____Yes	__√__No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____Yes	__√__No
Reportable condition(s) identified not considered to be material weaknesses?	_____Yes	__√__None Reported
Types of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____Yes	__√__No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____Yes	__√__No

Section II - Financial Statement Findings

- NONE -

Section III - Federal Award Findings and Questioned Costs

- NONE -

CINCINNATI COLLEGE PREPARATORY ACADEMY,
HAMILTON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

– NONE –

Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007