CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board Members and Sponsor:

We were engaged to audit 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of transactions and balances related to *Short Term Debt* as of and for the year ended June 30, 2010.

The Academy did not provide sufficient evidence supporting the accuracy of *Invested in Capital Assets, Net of Related Debt* as of June 30, 2010.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of the *Statement of Cash Flows* as of and for the year ended June 30, 2010.

The Academy did not disclose the following events which occurred subsequent to June 30, 2010:

- Board Approved up to $75,000 loan to Cincinnati Preschool Academy, which will be funded through the Ohio Department of Family Services for start-up costs to include payroll & benefits for former staff & new staff.

- Board approved receiving loans from Glen Scherzinger for $50,000; Stephanie Millard for $20,000; and Lisa Hamm for $100,000 for cash flows.

The Academy did not disclose whether any contingencies related to pending litigation existed.

Management has not provided written representations, which are required by auditing standards generally accepting in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Thus we were unable to obtain written representations related to the financial statements; completeness of information; and recognition, measurement and disclosure of misstatements, fraud, unasserted claims, undisclosed liabilities and violations of laws and regulations by management.

Due to the significance of the matters discussed in paragraphs two through seven above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the Academy.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because we were unable to obtain sufficient evidence to express an opinion or provide any other assurance.

We were engaged to opine on the Academy's financial statements. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. These statements were subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. We were unable to obtain written representations from the Academy's management. Because of the significance of this matter, it is inappropriate to and we do not express an opinion on the federal awards expenditure schedule.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

June 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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, 2010. 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 $569,437 which represents a 29% increase from 2009. This increase was due to an increase in student enrollment, federal subsidies, and decreased expenses.

Total assets increased $25,180 which represents an .4% increase from 2009. This was primarily due to the increase in net income as a result of a decrease in expenses.

Liabilities decreased $544,257, which represents an 13% decrease from 2009. Accrued wages and benefits increased $41,612. Accounts payable decreased by $403,480. The decrease in payables was primarily due to the payment of year-end invoices and the timing of payments.

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, 2010?" 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 2010 and fiscal year 2009:

Table 1
Net Assets

	2010	2009
Assets		
Current Assets	$936,566	$602,150
Capital Assets, Net	3,908,457	4,217,692
Investment in LLC	1,402,334	1,402,334
Total Assets	6,247,357	6,222,176
Liabilities		
Current Liabilities	1,269,101	1,550,400
Non-Current Liabilities	2,439,231	2,702,189
Total Liabilities	3,708,332	4,252,589
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,932,566	3,073,692
Unrestricted	(393,541)	(1,104,105)
Total Net Assets	$2,539,025	$1,969,587

Total assets increased $25,180. This increase was primarily due to an increase in student enrollment and federal subsidies. Cash and cash equivalents increased approximately $225,037 from 2009. Intergovernmental Receivables increased by $109,378. This increase was due to the timing of the receipt of some grants. Most of the receipts from fiscal year 2010 grants were received in fiscal year 2010. Capital Assets, net of depreciation decreased by $309,235. This decrease is due to an increase in depreciation of the buildings occupied by the school and savings on a construction renovation project.

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Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2010	2009
Operating Revenues		
Charges for Services	$43,554	$28,185
Foundation Payments	4,257,279	4,441,967
Other Income	109,643	94,793
Non-Operating Revenues		
Federal and State Grants	2,136,985	1,190,220
Interest	1	124
Rental Income	86,122	88,434
Total Revenues	$6,633,584	$5,843,723
Operating Expenses		
Salaries	2,478,592	2,263,293
Fringe Benefits	868,789	820,166
Purchased Services	1,036,492	1,018,138
Materials and Supplies	971,163	1,151,215
Depreciation	208,516	181,838
Capital Outlay	61,161	125,866
Other Expenses	439,368	261,502
Total Operating Expenses	$6,064,081	$5,822,018
Change in Net Assets	569,503	21,705

Net assets increased from 2009 to 2010, by $569,503. Revenues increased $789,860 and expenses decreased $242,063 over 2009. Of the increase in revenues, foundation payments decreased by $185,000. The majority of the increase was due to an increase in federal grants designed to offset decreases in state funding. Community Schools receive no support from tax revenues.

The expense for salaries increased by $215,299 and the expense for fringe benefits increased by $48,264 from 2009. This was primarily due to an increase in staff salaries and staffing levels during fiscal year 2010 and an associated increase in fringes and health care coverage. Material and supplies expense decreased by $180,053 from 2009. The need to replace old and outdated materials and textbooks decreased. Depreciation expense increased by $26,678, primarily because the purchase of additional assets. 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 2010 the Academy had $3.9 million invested in building improvements, furniture, fixtures and equipment, and vehicles, which represented a decrease of $309,000 from 2009. Table 3 shows fiscal year 2010 and fiscal year 2009:

Table 3
Capital Assets at June 30, 2010
(Net of Depreciation)

	2010	2009
Buildings and Building Improvements	$ 4,367,539	$ 4,476,758
Furniture, Fixtures and Equipment	399,626	397,626
Vehicles	124,488	117,988
Less Accumulated Depreciation	(983,196)	(774,680)
Totals	$ 3,908,457	$ 4,217,692

The decrease is due to savings on a construction contract and an increase in depreciation. For more information on capital assets see Note 5 to the basic financial statements.

Table 4

Long-Term Liabilities

As of June 30, 2010, the Academy had the following liabilities:

	Balance 30-Jun-09	Additions	Payments	Balance 30-Jun-10
Mortgage Loan #1	$538,653		(65,301)	$473,352
Mortgage Loan #2	743,872		(20,884)	722,988
Construction Loan	724,664		(12,679)	711,985
Note Payable - YMCA	315,000		(46,667)	268,333
Term Loans	380,000		(117,428)	262,572
TOTAL	$2,702,189		(262,959)	$2,026,322

Current Financial Issues

The Cincinnati College Preparatory Academy was formed in 1999. During the 2009-2010 school year, there were approximately 640 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2010 amounted to approximately $6,792 per student. Per pupil aid for fiscal year 2009 amounted to approximately $6,326 per student. The average number of years experience for teachers was 8 years.

Contacting the School's Financial Management

This financial report is designed to provide our citizens 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 Treasurer at CCPA, 1425 Linn Street, Cincinnati, Ohio 45214.

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CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2010

	2010	2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	802,817	577,780
Intergovernmental Receivables	133,749	24,370
Total Current Assets	936,566	602,150
Noncurrent Assets		
Depreciable Capital Assets, Net	3,908,457	4,217,692
Investment in LLC	1,402,334	1,402,334
Total Noncurrent Assets	5,310,791	5,620,026
Total Assets	6,247,357	6,222,176
LIABILITIES		
Current Liabilities		
Accounts Payable	613,127	1,029,199
Accrued Wages and Benefits	310,803	269,191
Short Term Debt	345,171	252,010
Total Current Liabilities	1,269,101	1,550,400
Long-Term Liabilities		
Long Term Debt	2,439,231	2,702,189
Total Liabilities	3,708,332	4,252,589
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,932,566	3,073,692
Unrestricted	(393,541)	(1,104,105)
Total Net Assets	2,539,025	1,969,587

See accompanying notes.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	2010	2009
Operating Revenues		
Food Services	$ 43,554	$28,185
Foundation Payments	4,257,279	4,347,392
Special Education	85,808	94,575
Miscellaneous	109,643	94,793
Total Operating Revenues	4,410,476	4,564,945
Operating Expenses		
Salaries	2,478,592	2,263,293
Fringe Benefits	868,789	820,166
Purchased Services	1,036,492	1,018,138
Materials and Supplies	971,163	1,151,215
Depreciation	208,516	181,838
Capital Outlay	61,161	125,866
Other Expenses	439,368	261,502
Total Operating Expenses	6,064,081	5,822,018
Operating Loss	(1,653,605)	(1,257,073)
Non-Operating Revenues		
Federal and State Grants	2,136,985	1,190,220
Interest Income	1	124
Rental Income	86,122	88,434
Total Non-Operating Revenue	2,223,108	1,278,778
Change in Net Assets	569,503	21,705
Net Assets Beginning of Year	1,969,587	1,947,882
Net Assets End of Year	$2,539,025	$1,969,587

See accompanying notes.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	2010
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 4,257,279
Other Cash Receipts	239,321
Cash Payments to Employees	(2,231,092)
Cash Payments to Employees for Fringe Benefits	(829,567)
Cash Payments for Supplies or Services	(2,464,631)
Cash Payments for Other Activities	(439,368)
Net Cash Used for Operating Activities	(1,468,058)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	2,027,607
Net Cash Provided by Noncapital Financing Activities	2,027,607
Cash Flows From Capital and Related Financing Activities	
Loan Payments	(233,792)
Acquisition of Capital Assets	(100,720)
Net Cash Provided by Captial and Related Financing Activities	(334,512)
Net Change in Cash and Cash Equivalents	225,037
Cash and Cash Equivalents at Beginning of Year	577,780
Cash and Cash Equivalents at End of Year	802,817
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Loss	(1,653,605)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense	208,516
Changes in Assets and Liabilities *Increase or (Decrease)*	
Cash for construction project	412,909
Decrease in Receivables	109,379
Decrease in Accounts Payable	(403,480)
Change in Accrued Wages and Benefits	41,612
Increase in Short-Term Loans	79,569
Change in Long-Term Loans	(262,958)
Total Adjustments	185,547
Net Cash Used by Operating Activities	(1,468,058)

See accompanying notes.

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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, 2009.

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 678 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)

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.

NOTE 3 – DEPOSITS

Custodial credit risk can occur in the event of a bank failure, in which case the Academy's deposits may not be returned. The Academy's policy regarding custodial credit risk is as follows: The Academy must maintain deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio, or any public depository in which the Academy places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation, or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the Academy's deposits was $802,817, and the bank balance was $810,353. Of the bank balance, $250,000 was covered by federal depository insurance and $560,353 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, 2010, consisted of intergovernmental. 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, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30,2010
Business-Type Activity				
Capital Assets Being Depreciated				
Buildings and Improvements	$4,476,758	($109,219)	$	$4,367,539
Furniture, Fixtures and Equipment	397,626	2,000	-	399,626
Vehicles	117,988	6,500	-	124,488
Total Capital Assets Being Depreciated	4,992,372	(100,719)	-	4,891,653
Less Accumulated Depreciation				
Buildings and Improvements	331,299	161,761	-	493,060
Furniture, Fixtures and Equipment	382,800	22,906	-	405,706
Vehicles	60,581	23,849	-	84,430
Total Accumulated Depreciation	774,680	208,516	-	983,196
Total Capital Assets Being Depreciated, Net	4,217,692	309,235	-	3,908,457
Business-Type Activity, Capital Assets, Net	$ 4,217,692	$309,235		$3,908,457

NOTE 6 – INVESTMENT IN LIMITED LIABILITY COMPANY (LLC)

In February, 2009, 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, 2010, the Academy had the following long-term liabilities:

	2010	2009
Mortgage Loan #1	$473,352	$538,653
Mortgage Loan #2	722,988	743,872
Construction Loan	711,985	724,664
Note Payable - YMCA	268,333	315,000
Term Loans	262,572	380,000
TOTAL	$2,026,322	$2,702,189

NOTE 7 – LONG-TERM LIABILITIES (Continued)

In April, 2008, 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 remaining principal amounts are scheduled at the following:

	-
2011	$140,000
2012	140,000
2013	128,333
TOTAL	$ 408,333

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 loan was renewed in August 2008. (The prime rate was 3.25% at June 30, 2008). 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
2011	$ 65,301	$ 22,040	$ 87,341
2012	65,302	16,909	82,211
2013 and thereafter	408,051	64,038	472,121
Total	$ 538,654	$102,987	$641,723

In March 2008, The Academy purchased another building and entered into a mortgage loan for $800,000 to finance the purchase. The loan carries a ten year amortization, a fixed interest rate of 6.25%, and is renewable. The principal and interest rescheduled at the following amounts:

Years Ending June 30,	Principal	Interest	Total
2011	$ 19,020	$ 51,667	$ 70,687
2012	24,873	45,950	70,823
2013 and thereafter	703,074	171,385	875,193
Total	$746,967	$ 269,002	$ 1,016,703

NOTE 7 – LONG-TERM LIABILITIES (Continued)

In December of 2008, the Academy entered into a construction loan for $744,000 to finance the renovations to the building purchased in March 2009. The loan carries a ten-year amortization, a fixed interest rate 7.15%, and is renewable. Principal payments are *estimated* at the following:

Years Ending June 30,	Principal	Interest	Total
2011	19,183	51,398	70,581
2012	22,155	48,425	70,580
2013 and thereafter	689.070	283,385	959,718
Total	$ 730,408	$ 383,208	$ 1,100,879

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 2009, 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 2010, 10% 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, 2010, 2009, and 2008 were $ 41,740, $92,305, and $128,591, respectively; 100% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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 43215-3771, or 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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, 2010, 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were $252,678, $246,200, and $230,376, respectively; 85% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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 System based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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, 2010, 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 $17,394 for fiscal year 2010.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was $3.1 billion. For the year ended June 30, 2008, 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, 2010, employer contributions to fund health care benefits were 4.16% 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 2010, the minimum pay was established at $35,800; 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 2010 fiscal year equaled $12,462.

NOTE 11 – EMPLOYEE BENEFITS

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

NOTE 12 –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, 2010.

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 2010, 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 2008; an insignificant variance is expected for fiscal year 2010 also. This variance will have no effect on the financial standing of the Academy.

NOTE 13 – RELATED PARTY TRANSACTIONS

ROAR Education, an entity formed to provide training to school operators, teachers, and staff, was operated from the same location as CCPA during 2009 and was provided pro-bono use of the facilities.

City Church used facilities at CCPA during 2009 and was provided pro-bono use of the facilities. The church was permitted to operate during non-school hours.

Academy Board Member Ron Gore also served on the YMCA Board. Board member Janet Ulrich is employed by Millard and Associates, which is owned by the Treasurer, Stephanie Millard.

An agreement was entered into in February 2005 between the YMCA and CCPA to form “West End Cincinnati Victory Partners, LLC.” The LLC owns and maintains the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC – (see 2005 audit report note 6).

9 payments totaling $73,191 were made to the Carl Lindner Branch YMCA, of which Joe Calloway, CCPA Board Member is the Executive Director.

NOTE 14 – PURCHASED SERVICES

For the year ended June 30, 2010, purchased service expenses were comprised of the following:

Instruction Services	$122,148
Travel and Meetings	38,134
Professional and Technical	538,334
Communication	25,592
Property Services	165,808
Utilities	125,270
Other	21,206
Total Purchased Services	$1,036,492

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2010

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Federal Breakfast Program	10.553	$ 76,366	76,366
Federal Lunch Program	10.555	214,510	214,510
		$ 290,876	$ 290,876
Grants to Local Educational Agencies			
Federal Stimulus-SFSF	84.394	291,237	291,237
ESEA Title I	84.010	584,920	547,008
ESEA Title I-ARRA	84.389	522,527	480,623
Improving Teacher Quality	84.367	56,385	56,385
Technology Literacy Challenge	84.318	2,503	5,592
Drug-Free Schools Grant	84.186	706	8,004
Special Education Grants to States--Federal Stimulus	84.391	154,670	134,432
Special Education Grants to States (IDEA Part B)	84.027	106,740	120,600
Total Department of Education		**$ 1,719,688**	$ 1,643,881
Totals		**$2,010,564**	$ 1,934,757

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cincinnati College Preparatory Academy (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The Academy reports commodities consumed on the Schedule at the fair value. The Academy allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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 Board Members and Sponsor:

We were engaged to audit the financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated June 5, 2013. Our report indicated that because we were unable to obtain written representations from the Academy's management and the Academy failed to adequately present or document debt, investment in capital assets net of related debt, subsequent events, cash flow statements and contingencies relating to any pending litigation, we did not express an opinion.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-004 and 2010-006 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-003 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-001, 2010-002, and 2010-005 through 2010-007.

We also noted certain other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated June 5, 2013.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board, the Community School's sponsor, and federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

Columbus, Ohio

June 5, 2013

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

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board and Sponsor:

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 could directly and materially affect the Cincinnati College Preparatory Academy's major federal program for the year ended June 30, 2010. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal program. 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 opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

As described in finding 2010-008 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding allowable costs applicable to its Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) and Title I Grants to Local Educational Agencies, Recovery Act major federal programs. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Cincinnati College Preparatory Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure we have identified all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness *in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-008 to be a material weakness.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

June 5, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Disclaimer
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA 84.010 and 84.389 Title I Grants to Local Educational Agencies Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2010-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

FINDING NUMBER 2010-001
(Continued)

The Treasurer's salary for the 2010 school year was approved by the Board on September 3, 2009, and was not to exceed $50,700. The Treasurer invoiced and was paid a total of $59,007, which resulted in an overpayment of $8,307. There was no evidence the Board approved the overpayment. Further, there was no indication the overpayment was for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Stephanie Millard, Treasurer; and the Treasurer's bonding company, Ohio Farmers Insurance Company for $8,307 for public monies illegally expended in favor of Cincinnati College Preparatory Academy.

Officials' Response

As we discussed in the exit conference, it appears that the additional money paid to Ms. Millard was for ARRA dollars that were received, however, there is not any evidence that a revision was done to her contract to allow for this additional payment.

We have already put in place the requirement that all payments made to employees must be board approved either by an exact amount or in reference to the placement on a salary schedule. Additionally, for the current fiscal year we are reviewing all contracts to make sure that no overpayments are made.

FINDING NUMBER 2010-002

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Lisa Hamm, Superintendent, charged $8,495 in expenditures to CCPA/LKH Victory Corporation credit cards resulting in improper payments. Specifically, these checks were issued to vendors such as Cincinnati Bengals, Omaha Steaks, Benihana Steak House, Dixie Stampede, Bluff Mountain Adventures, Outdoor Adventures, and Wahoo Zip Lines, and related to entertainment, recreation and personal items for Academy Staff. These payments totaled $8,495.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Lisa Hamm, Superintendent, in the amount of $8,495.

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Steward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

FINDING NUMBER 2010-002
(Continued)

Stephanie Millard, School Treasurer, signed the checks noted above for improper payments. Stephanie Millard, will be jointly and severally liable in the amount of $8,495 and in favor of the Cincinnati College Preparatory Academy.

Accordingly, Fiscal Officer Stephanie Millard and Ohio Farmers Insurance Company are jointly and severally liable in the amount of $8,495.

Officials' Response

Cincinnati College Preparatory Academy has already discontinued use of credit cards and in their place has only two debit cards. Additionally, appropriate controls have been put in place that require these debit cards to be signed out and signed back in when they are returned so that we can maintain who has custody of these cards at all times. Finally, a new purchase order and purchasing process has been implemented to make sure that expenditures are approved in advance of them being made. These controls will ensure that expenditures like the ones noted in this finding will not take place.

FINDING NUMBER 2010-003

Significant Deficiency

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Academy has not implemented formal written policies or procedures for paid leave other than stating that all eligible employees will be granted Combined Time Off "CTO" with pay as dictated within their specific contract. Combined Time Off included vacation, personal, sick and other employee leaves. CCPA did not monitor employee leave usage to ensure employees did not exceed their contracts' Combined Time Off. Contracts for the superintendent, principal, and assistant principal contained no provisions regarding leave time and usage and their usage was not documented and monitored. CCPA did not require leave forms or other documentation for requesting and approving leave. CCPA did not record the type of leave used to be able to monitor compliance with employee contract provisions. During payroll testing we noted that for 43 of 50 employees (86%), the contracts did not indicate the amount of approved "CTO" in the contract.

Of the seven employees that did have "CTO" dictated in their contracts, we noted two which exceeded their allotted leave time. Andrea Watson had 23 days of sick which was 3 days over her 20 approved days. Edna Jones had 20 days and 1.5 hours of "CTO" which was 1.5 hours over her 20 approved days.

Leave request forms should be used to document leave requests and supervisory approval of leave taken. Leave should be tracked according to the amount used against the amount accrued by the employee and the unused amount at the end of the year should be either carried forward or lost according to the approved policy. With no limit to the amount of paid leave allowed to be taken by employees, there is a potential of abuse by employees. By not setting a maximum to the amount of leave usage the Academy is vulnerable to a situation where an employee could use more leave than days worked. The Academy should implement an automated leave system which would track accruals, usage and balances for employees.

We recommend that the Academy establish a Board approved leave policy which states the annual amount of vacation, sick, and personal leave for all employee types and whether unused leave at year end is carried forward or lost.

FINDING NUMBER 2010-003
(Continued)

Officials' Response

Effective July 1, 2013 we are converting our financial records to Unified State Accounting Software (USAS). Once we do this we will also have access to HR Kiosk with is a software program provided by HCCA that will allow all our leave requests to be completed on-line. Additionally, it will allow us to enter maximum leave amount accruals that will generate an error message if someone attempts to take leave that they do not have. Of course, there is a cost to this software that we are currently evaluating, but it is our hope that we will be able to implement this next year. Additionally, we will make sure that each employee's allowable leave amount is documented either in board policy or in the individual's contract.

FINDING NUMBER 2010-004

Material Weakness

The Academy prepares contracts for each employee including salaried, hourly, and independent contractors. The contracts include the date the contract is entered into with the employee, the term or school year for which the contract is effective, the beginning date of the contract for payroll purposes, provisions requiring the employee to enroll in STRS or SERS depending on whether they are being employed as a teacher or non-teacher respectively, and the Board approved salary. Contracts are signed by both the employee and the Superintendent. A salary schedule is prepared based on the contracts and submitted to the Board for approval at the beginning of each school year. The Board does not approve the individual contracts only the salary schedule.

Upon review of payroll disbursements, the following deficiencies were noted between the contracts, and Board approved salary rates:

- 5 out of 56 (9%) employees tested did not have contracts on file
- Of the remaining 51 contracts:
    - 16 out of 51 (31%) were not signed by either the employee or the Superintendent
    - 1 out of 51 (1%) of contracts were not signed by the employee
    - 18 out of 51 (35%) of contracts were not signed by the Superintendent

Lack of consistency and oversight over employee contracts increases the risk of someone being paid the wrong salary.

We recommended that the Board, in addition to the Superintendent, approve employee contracts. The salary schedule should be approved by the Board prior to contracts being entered into with employees.

Officials' Response

We have already put in place the requirement that all payments made to employees must be board approved either by an exact amount or in reference to the placement on a salary schedule. Additionally, for the current fiscal year we are reviewing all payroll payments to make sure that all employees who have been paid have in place all appropriate personnel documents including contracts. Going forward we will not allow anyone to be paid into all items are in place.

FINDING NUMBER 2010-005

Noncompliance

The Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.1 Purchasing/Invoicing (B) (C) states "that before placing a purchase order, each party authorized to place a purchase order should consider whether the material requested may be available elsewhere in the school. In the interests of economy, fairness and efficiency, the Board requires that:

B. Blanket purchase orders will be approved by the Board annually for regular recurring or anticipated expenditures over $1,000.00

C. Purchases at or below $100 shall not require a purchase order, particularly those for building supplies or repairs, vehicle fuel, office supplies, food or restaurant meeting expense, sundry items such as pet food, or travel expenses when away from the school. However, these items will be reviewed on monthly statements by designated parties.

Contrary to this requirement, the Academy did not have a valid purchase order executed for 14 out of 28 (50%) expenditures tested, and none were on a blanket purchase order or below $100.

Failure of the Academy to execute a purchase order prior to making an expenditure could lead to the Academy overspending its' funds and result in negative cash fund balances.

We recommend the Academy execute a purchase order prior to making expenditures as required by their policy.

Officials' Response

We have already developed and implemented a new purchase order that is required for all purchases prior to the purchase being made.

FINDING NUMBER 2010-006

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02(A), requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the financial statements presented for audit:

<u>Management's Discussion and Analysis (MD&A)</u>

- Tables presented did not always foot.
- Tables containing information from prior year statements did not agree to prior year statement amounts.
- Inaccurate wording in analyses between changes in prior year versus current year, i.e. "increases" rather than "decreases".

FINDING NUMBER 2010-006
(Continued)

<u>Statement of Net Assets and Statement of Cash Flows</u>

- The Academy understated long-term debt by $101,687.
- The Academy did not provide supporting documentation for $345,171 of short-term debt. The Academy understated capital assets by $189,050.
- The Academy understated accumulated depreciation by $85,168.
- The Academy understated accrued wages by $72,751.
- The Academy overstated federal & state grants by $133,749.
- The Academy did not provide supporting documentation for $2,932,566 of invested in capital assets, net of related debt.
- The Academy did not provide supporting documentation for the statement of cash flows.

<u>Notes to the Financial Statements</u>

- The Academy's notes to the financial statements presented for audit did not disclose the short-term debt above nor disclose the proper balance of long-term debt.
- The Academy's notes to the financial statements presented for audit did not disclose accurate capital asset balances.

Failure to accurately prepare financial statements reduces the accountability over Academy funds, reduces the Board of Directors' ability to monitor financial activity and make informed financial decisions, increases the likelihood that moneys will be misappropriated and detected, and increases the likelihood that the financial statements will be misstated.

We recommend the Academy implement controls to assure the accuracy of the financial statements and capital asset records. We recommend the Board develop effective review procedures over the posting of Academy transactions to the accounting system and subsequent reporting on the financial statements.

Officials' Response

We have employed a new consultant to develop our financial statements for FY13 and beyond. In addition to this we have worked with this consultant to try to provide support for financial statements still under audit prior to FY13.

FINDING NUMBER 2010-007

Noncompliance

26 United States Code Section 6652(c)(1)(A) provides that, in the case of an organization having gross receipts exceeding $1,000,000 for any year, a penalty of $100 a day, not to exceed $50,000 may be charged when an annual return for an exempt organization is filed late. The penalty begins on the due date for filing Form 990 or 990-EZ.

The annual return must be filed by the 15th day of the fifth month after the end of the annual accounting period.

FINDING NUMBER 2010-007
(Continued)

The Academy did not file form 990 from their establishment for fiscal year 2009 until May 3, 2011 and support for filing the form 990 for fiscal year 2010 was not provided for audit.

Failure to file the form 990 by the required deadline will cause penalties and interest to be incurred.

We recommend that the Academy file 990 by the required date to avoid additional penalties, interest, and possible loss of tax exempt status. This matter has been referred to the Internal Revenue Service.

Officials' Response

We have employed a new consultant to develop our 990's and as of today, all 990's through the current year have been filed with the Internal Revenue Service. We will continue using this consultant and will make sure we stay current on these filings.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2010-008

CFDA Title and Number	CFDA 84.010 and 84.389 Title I Grants to Local Educational Agencies Cluster
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Questioned Cost/Material Weakness – Allowable Costs

2 C.F.R. 225 Appendix B Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

2 C.F.R. 225 Appendix A Section (E) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

   a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.

   b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

FINDING NUMBER 2010-008
(Continued)

c. Equipment and other approved capital expenditures.

d. Travel expenses incurred specifically to carry out the award.

The Academy is required to identify all expenditures that are specifically for the performance of Title I services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from Title I funds. Failure to properly identify allowable costs to the Title I federal program may lead to monies having to be repaid.

The total unallowable costs paid from the Title I fund are broken down by category in the following table:

Fund	Category	Amount
572	Software backup exec server & exec exchange licenses for 1 year	$ 290
572	E-Rate application & maintenance – contract for FY10	15,568
572	Nursing services & school health	4,682
572	PD-360 – On-Demand online professional development	2,495
572	Quarterly billing for printers & copiers	2,007
572	Credit card purchase for which no supporting documentation was provided	2,742
572	Treasurer fees	7,800
	Total	$ 35,584

Additionally, we noted that for 6 of 15 (40%) of items tested there were no purchase orders indicating supervisory approval of expenditures. We recommend the Academy follow 2 C.F.R. 225 Appendix A and B to determine which expenditures are considered to be allowable to be used from federal funds. By following 2 C.F.R. 225 Appendix A and B, the Academy can ensure federal funds are being expended properly and reduce the possibility of the Academy having to return federal funds or having federal funds withheld in future years. To maintain controls over allowable cost compliance, the Academy should execute purchase orders for each expenditure. These purchase orders should document supervisory approval of expenditures.

Officials' Response

We have employed a new consultant to train the current principal on how to do the federal funds application. Additionally, as the new treasurer I will be responsible for ensuring that all federal dollars are spent in accordance with the approved application. Finally, we are currently in the process of reviewing all federal expenditures for FY13 to make sure they are being spent in accordance with the approved application.

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Noncompliance/Material Weakness/Significant Deficiency – Lack of management controls to ensure accurate financial statements.	No	Not Corrected, Reissue as Finding 2010-006.
2009-002	Noncompliance – Blanket purchase orders not executed	No	Not Corrected, Reissue as Finding 2010-005.
2009-003	Finding for Recovery – Board Members	No	Partially corrected, amounts remain uncollected

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CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
2010

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-008	A new consultant has been hired who is a current sitting public school district superintendent who will train the current principal of CCPA on how to submit the federal fund application. Additionally, a new treasurer has been hired who is currently a sitting public school district treasurer who will be responsible for the financial side of the federal funds.	7/1/13	Michael Ashmore

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Dave Yost • 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
JULY 11, 2013