



Dave Yost • Auditor of State



**CINCINNATI COLLEGE PREPARATORY ACADEMY EAST  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Statement of Net Position .....	7
Statement of Revenues, Expenditures, and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements .....	11
Schedule of Federal Awards Receipts and Expenditures .....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards .....	27
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	29
Schedule of Findings .....	33
Schedule of Prior Audit Findings.....	35
Corrective Action Plan.....	37

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cincinnati College Preparatory East Academy  
Hamilton County  
4324 Homer Avenue  
Cincinnati, Ohio 45227

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2014, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents 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 also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 25, 2015

**Cincinnati College Preparatory Academy - East**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

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As management of the Cincinnati College Preparatory Academy - East (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for the School are as follows:

- Total net position of the School increased \$320,176 in fiscal year 2014. Ending net position of the School was \$157,165, compared with negative \$163,011 at June 30, 2013.
- Total assets decreased by \$51,898 and total liabilities decreased by \$372,074 from the prior fiscal year end.

### **Using this Annual Financial Report**

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

#### *Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position*

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**Cincinnati College Preparatory Academy - East**  
 Hamilton County  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014  
 (Unaudited)

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**Financial Analysis**

Table 1 provides a summary of the School's net position at June 30, 2014 compared to prior fiscal year.

**Table 1**  
**Net Position at Year End**

	<u>2014</u>	<u>2013</u>
Assets:		
Current and Other Assets	\$ 325,442	\$ 351,962
Capital Assets, Net	<u>63,446</u>	<u>88,824</u>
Total Assets	<u>388,888</u>	<u>440,786</u>
Liabilities:		
Current Liabilities	231,723	541,201
Noncurrent Liabilities	<u>-</u>	<u>62,596</u>
Total Liabilities	<u>231,723</u>	<u>603,797</u>
Net Position:		
Net Investment in Capital Assets	63,446	88,824
Restricted	24,514	18,626
Unrestricted	<u>69,205</u>	<u>(270,461)</u>
Total Net Position	<u>\$ 157,165</u>	<u>\$ (163,011)</u>

Capital Assets, Net and Net Investment in Capital Assets both decreased significantly in comparison with the prior fiscal year-end. This decrease represents current year depreciation expense.

Current Liabilities decreased significantly compared to the same amount reported for fiscal year 2013. This decrease is primarily a result of principal payments made during fiscal year 2014 to reduce the outstanding balance of notes payable.

**Cincinnati College Preparatory Academy - East**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

**Financial Analysis**

The total net position reported for fiscal year 2014 increased by \$320,176. Table 2 shows the change in net position for the fiscal year ended June 30, 2014 compared to prior fiscal year.

**Table 2**  
**Changes in Net Position**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>		
Unrestricted Grants-in-Aid	\$ 2,124,297	\$ 2,376,658
Restricted Grants-in-Aid	48,128	-
Other	186	1,502
Total Operating Revenues	<u>2,172,611</u>	<u>2,378,160</u>
<b>Operating Expenses:</b>		
Salaries and Wages	1,232,887	1,289,946
Fringe Benefits	376,031	379,973
Purchased Services	797,332	887,815
Materials and Supplies	115,495	112,623
Depreciation	25,378	25,378
Other	32,744	26,067
Total Operating Expenses	<u>2,579,867</u>	<u>2,721,802</u>
Operating Loss	<u>(407,256)</u>	<u>(343,642)</u>
<b>Nonoperating Revenues</b>		
Federal and State Grants	722,158	910,321
Donations and Contributions	1,000	1,061
Other Nonoperating Revenues	4,274	775
Interest Expense	(7,700)	(34,300)
Interest Expense Forgiven	7,700	34,300
Total Nonoperating Revenues	<u>727,432</u>	<u>912,157</u>
Change in Net Position	320,176	568,515
Net Position, Beginning of Year	<u>(163,011)</u>	<u>(731,526)</u>
Net Position, End of the Year	<u>\$ 157,165</u>	<u>\$ (163,011)</u>

Total revenues and Total expenses both decreased in fiscal year 2014 compared with the prior fiscal year primarily due to a decline in enrollment from 346 students to 317 students.

**Cincinnati College Preparatory Academy - East**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

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**Capital Assets**

At the end of fiscal year 2014, the School had \$63,446 invested in Capital Assets, Net, a decrease of \$25,378 in comparison with the prior fiscal year. This decrease represents the amount by which current depreciation, totaling \$25,378, exceeded current year additions, totaling \$0. See Note 5 of the basic financial statements for additional details.

**Debt**

At fiscal year-end, the School's notes payable balance was \$0, a decrease of \$300,000 in comparison with the prior fiscal year-end. This decrease represents principal payments during the fiscal year. The School also had \$16,871 in leases outstanding as of fiscal year-end. See Note 6 of the basic financial statements for additional details.

**Contacting the School**

This financial report is designed to provide a general overview of the finances of the Cincinnati College Preparatory Academy - East and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Cincinnati College Preparatory Academy - East, 4324 Homer Ave., Cincinnati, Ohio 45227.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST  
HAMILTON COUNTY**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

**Assets:**

Current Assets

Cash and Cash Equivalents	\$ 54,282
Intergovernmental Receivables	20,601
Prepaid Items	<u>559</u>
Total Current Assets	<u>75,442</u>

Noncurrent Assets

Amount Due from CCPA West	250,000
Capital Assets, Net of Accumulated Depreciation	<u>63,446</u>
Total Noncurrent Assets	<u>313,446</u>

Total Assets	<u>\$ 388,888</u>
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**Liabilities:**

Current Liabilities

Accounts Payable	\$ 42,153
Accrued Wages and Benefits Payable	145,031
Intergovernmental Payable	27,668
Lease Payable	<u>16,871</u>
Total Current Liabilities	<u>231,723</u>

Total Liabilities	<u>231,723</u>
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**Net Position:**

Net Investment in Capital Assets	63,446
Restricted	24,514
Unrestricted	<u>69,205</u>
Total Net Position	<u>157,165</u>

Total Liabilities and Net Position	<u>\$ 388,888</u>
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See accompanying notes to the basic financial statements.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST  
HAMILTON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating Revenues:</b>	
Unrestricted Grants-in-Aid	\$ 2,124,297
Restricted Grants-in-Aid	48,128
Other	186
Total Operating Revenues	<u>2,172,611</u>
 <b>Operating Expenses:</b>	
Salaries and Wages	1,232,887
Fringe Benefits	376,031
Purchased Services	797,332
Materials and Supplies	115,495
Depreciation	25,378
Other	32,744
Total Operating Expenses	<u>2,579,867</u>
 Operating Loss	 <u>(407,256)</u>
 <b>Non-Operating Revenues (Expenses):</b>	
Federal Grant Revenue	715,090
State Grant Revenue	7,068
Donations and Contributions	1,000
Other Non-Operating Revenues	4,274
Interest Expense	(7,700)
Interest Expense Forgiven	7,700
Total Non-Operating Revenues (Expenses)	<u>727,432</u>
 Change in Net Position	 320,176
 Net Position Beginning of Year	 <u>(163,011)</u>
Net Position End of Year	<u>\$ 157,165</u>

See accompanying notes to the basic financial statements.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:	
Received from State of Ohio	\$ 2,172,425
Received from Classroom Fees	186
Payments to Employees for Services and Benefits	(1,582,645)
Payments to Suppliers for Goods and Services	(1,019,706)
Payments to Other	<u>(32,477)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(462,217)</u></b>
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	780,129
Received from State Grants	7,068
Received from Donations and Contributions	1,000
Received from Other	4,274
Payments for Lease Principal	(1,298)
Payments for Note Principal	<u>(300,000)</u>
<b>Net Cash from Noncapital Financing Activities</b>	<b><u>491,173</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>28,956</b>
Cash and Cash Equivalents at Beginning of Year	<u>25,326</u>
Cash and Cash Equivalents at End of Year	<b><u>\$ 54,282</u></b>

See accompanying notes to the basic financial statements.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities:

Operating Loss	\$ (407,256)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	25,378
Changes in Assets and Liabilities:	
Prepaid Items	(559)
Intergovernmental Receivable	(9,004)
Accounts Payable	(104,745)
Accrued Wages and Benefits	30,116
Intergovernmental Payable	3,853
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (462,217)</u></b>

**Schedule of Non-Cash Activities:**

Interest on note forgiven by borrower	\$ 7,700
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See accompanying notes to the basic financial statements.

# CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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## 1. Description of the School and Reporting Entity:

Cincinnati College Preparatory Academy - East (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through sixth grade through customizing learning for each child. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2014 fiscal year, Mangen & Associates. Douglas Mangen served as the Certified Treasurer during the entire 2014 fiscal period. The St. Aloysius Orphanage was the School's sponsor in fiscal year 2014. The initial term of the sponsorship agreement is for a two-year period ended June 30, 2014. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The Board 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 controls the School's instructional/support facility staffed by 8 non-certified and 34 certificated full time teaching personnel who provide services to 317 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 11. The School also entered into a service agreement with Metropolitan Dayton Educational Cooperative Association (MDECA) for technology-related services. MDECA is made up of the Superintendent plus one Board Member from each regular member district, and one representative from each of the two associate membership groups.

## 2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, 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 more significant of the School's accounting policies are described below.

### A. Basis of Presentation

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

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2014

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2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

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

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	30 years
Furniture, Fixtures, and Equipment	5 years
Building Improvements	5 years

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2014

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2. Summary of Significant Accounting Policies (Continued):

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. Foundation funding and casino revenues are both recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program, facilities funding, economic disadvantaged funding, and funds distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and Benefits Payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2014 contract.

Accounts Payable – payments due for services or goods that were rendered or received during fiscal year 2014.

Intergovernmental Payable - payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School had no deferred inflows of resources as of fiscal year end.

K. Federal Tax Exemption Status

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

L. Net Position

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

M. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits and Investments:

At June 30, 2014, the carrying amount of the School's deposits was \$54,282 and the bank balance was \$161,306. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2014

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2014 is as follows:

<u>Receivables</u>	<u>Amount</u>
Federal Grants	\$ 7,774
BWC Refund	48
Pension overpayments	<u>12,779</u>
Total	<u>\$20,601</u>

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<b>Capital Assets:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>
Building Improvements	\$ 27,457	\$ -	\$ -	\$ 27,457
Furniture and Equipment	99,434	-	-	99,434
Total Capital Assets	<u>126,891</u>	<u>-</u>	<u>-</u>	<u>126,891</u>
<b>Less Accumulated Depreciation:</b>				
Building Improvements	(8,237)	(5,491)	-	(13,728)
Furniture and Equipment	<u>(29,830)</u>	<u>(19,887)</u>	<u>-</u>	<u>(49,717)</u>
Total Accumulated Depreciation	<u>(38,067)</u>	<u>(25,378)</u>	<u>-</u>	<u>(63,445)</u>
<b>Net Capital Assets</b>	<u>\$ 88,824</u>	<u>\$ (25,378)</u>	<u>\$ -</u>	<u>\$ 63,446</u>

6. Debt:

The changes in the School's long-term obligation during the fiscal year are as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Notes Payable	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
Capital Lease	18,169	-	(1,298)	16,871	16,871
Total	<u>\$ 318,169</u>	<u>\$ -</u>	<u>\$ (301,298)</u>	<u>\$ 16,871</u>	<u>\$ 16,871</u>

In June 2011, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure operating funds. The note was approved for \$400,000. The note carried an interest rate of 6% and a maturity date of June 30, 2014.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2014

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6. Debt (continued):

In February 2012, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure operating funds. The note was approved for \$400,000. The note carried an interest rate of 6% and a maturity date of December 31, 2013.

The School paid \$300,000 during fiscal year 2014 towards these notes.

The School also entered into a financing lease for computer equipment totaling \$46,720. The lease carried an interest rate of 0% and a maturity date of August 31, 2014.

7. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2014, the School contracted with the Trident Insurance Services for its insurance coverage as follows:

General Liability (aggregate)	\$3,000,000
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There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceed coverage amounts in any of the last three fiscal years.

B. Workers' Compensation

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

C. Employee insurance Benefits

The School utilizes Dental Care Plus, and United HealthCare Insurance Co. to provide dental, health, life, accidental death and dismemberment insurance benefits to School employees.

8. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

## CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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### 8. Defined Benefit Pension Plans (continued):

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2014, 2013 and 2012 were \$25,977, \$29,146 and \$34,416, respectively. The entire amount has been contributed for fiscal year 2012, 2013 and 2014.

#### B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2014

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8. Defined Benefit Pension Plans (continued):

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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8. Defined Benefit Pension Plans (continued):

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2014, 2013 and 2012 were \$133,935, \$152,328 and \$131,482, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 91% of the required amount. The unpaid contribution has been recorded as a liability.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

9. Post-employment Benefits:

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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9. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The School's required contributions for the year ended June 30, 2014, 2013 and 2012 were \$1,507, \$1,646 and \$2,032, respectively. The entire amount was contributed for fiscal year 2012, 2013 and 2014.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,910, \$3,517 and \$6,445, respectively. The entire amount was contributed for fiscal year 2012, 2013 and 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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9. Post-employment Benefits (continued):

B. State Teachers Retirement System

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal years 2014, 2013 and 2012 were \$10,203, \$11,718 and \$10,114, respectively. The entire amount has been contributed for fiscal year 2012 and 2013. For fiscal year 2014, the School has contributed 91% of the required amount. The unpaid contribution has been recorded as a liability.

10. Contingencies:

A. Grants and Student Attendance Data Review

The School received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Full-Time Equivalency Reviews

The Ohio Department of Education reviews of enrollment and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the fiscal year 2014 review did not have a material effect on the School's financial statements.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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11. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A), which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

Payments for these services during fiscal year 2014 totaled \$317,193, which includes \$125,519 for services provided in fiscal year 2013.

12. Other Purchased Services:

During the fiscal year ended June 30, 2014, purchased service expenses for services rendered by various vendors were as follows:

Management Services	\$ 267,125
Instructional Services	63,788
Repair and Maintenance Services	10,100
Professional and Technical Services	29,434
Garbage Removal	53,187
Rentals	94,198
Utilities	86,297
Contracted Food Services	163,762
Legal Services	13,703
Property Services	15,271
Postage Services	467
Total	<u>\$ 797,332</u>

13. Operating Leases:

The School entered into a lease agreement for a building with LKH Victory Corporation. The lease was effective through June 30, 2014 with monthly payments of \$5,500 the first six months and \$4,833 the last six months of the fiscal year. Lease payments made to LKH Victory Corporation totaled \$61,998 for the fiscal year ending June 30, 2014.

**CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST**

Hamilton County

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014

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14. Due from CCPA West:

In fiscal year 2013, Cincinnati College Preparatory Academy West (West) financed the purchase of a school building. The Cincinnati College Preparatory Academy East (School) rented the building from West. In conjunction with this financing, the School paid \$250,000 to Glenn Scherzinger on behalf of West to fulfill West's debt obligations. At fiscal year-end, the School reported these on-behalf payments as Amount Due from CCPA West. West repaid the School \$250,000 in February 2015. The School purchased the building from West in March 2015.

15. Change in Accounting Principle:

For fiscal year 2014, the School has implemented the following:

*GASB Statement No. 66 "Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62"* resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

*GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees"* enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School.

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**CINCINNATI COLLEGE PREPARATORY ACADEMY EAST  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	\$86,050	\$78,303
National School Lunch Program	10.555	164,938	150,089
Total U.S. Department of Agriculture		<b>\$250,988</b>	<b>\$228,392</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education - Grants to States	84.027	153,378	152,754
Title I Grants to Local Educational Agencies	84.010	371,808	367,906
Race to the Top	84.395	350	350
Improving Teacher Quality State Grants	84.367	3,605	3,125
Total U.S. Department of Education		<b>\$529,141</b>	<b>\$524,135</b>
<b>Total</b>		<b>\$780,129</b>	<b>\$752,527</b>

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

**CINCINNATI COLLEGE PREPARATORY ACADEMY EAST  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

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

Cincinnati College Preparatory Academy East  
Hamilton County  
4324 Homer Avenue  
Cincinnati, Ohio 45227

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 25, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 25, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 East  
Hamilton County  
4324 Homer Avenue  
Cincinnati, Ohio 45227

To the Board of Directors:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Cincinnati College Preparatory Academy's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cincinnati College Preparatory Academy's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the School's major federal programs.

### ***Management's Responsibility***

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

### ***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in finding 2014-001 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding allowable costs/cost principles applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to this program.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the Cincinnati College Preparatory Academy East complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2014.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Cincinnati College Preparatory Academy East complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance 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 to timely detect and correct, noncompliance with a federal program's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The School's response to our noncompliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the School's response and corrective action plan and, accordingly, we express no opinion on it.

Cincinnati College Preparatory Academy East  
Hamilton County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and other Matters  
Required by *Government Auditing Standards*  
Page 3

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August, 25, 2015

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**CINCINNATI COLLEGE PREPARATORY ACADEMY EAST  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – Child Nutrition Cluster Unmodified – Title 1 Grants to Local Educational Agencies
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA 10.553 – National School Breakfast Program CFDA 10.555 – National School Lunch Program  CFDA 84.010 – Title I Grants to Local Educational Agencies
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

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

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	Child Nutrition Cluster CFDA 10.553 – National School Breakfast Program CFDA 10.555 – National School Lunch Program
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/MATERIAL WEAKNESS/ QUESTIONED COST – Allowable Costs**

**2 CFR Part 225, Appendix A, paragraph C.1** defines the general criteria for cost to be allowable under federal awards. Specifically paragraph C.1.j. requires the expenditure to be adequately documented for the cost to be allowable. **2 CFR Part 225, Appendix A, paragraph F.1** defines indirect costs as costs that have been incurred for a common or joint objective, and not readily assignable to the cost objectives. **Appendix C, paragraph D.3** states that all other local governments claiming central service costs must develop a plan in accordance with the requirements describe in this appendix and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as sub-recipient, the pass-through entity will be responsible for monitoring the sub-recipient's plan.

In Ohio, the Secretary of the U.S. Department of Education has delegated this authority to the Ohio Department of Education's (ODE) Office of Federal and State Grants Management. All school districts and community schools recovering indirect costs must have a plan on file with ODE.

The Academy charged a monthly facilities cost allocation expense to the Child Nutrition Cluster program. The facilities cost included allocations for rent, trash, and utilities. These charges are considered to be indirect costs, therefore requiring an indirect cost allocation plan approved by ODE. The Academy paid \$52,721 to Cincinnati College Preparatory Academy for facilities cost allocation during the year ended June 30, 2014.

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost in the amount of \$52,721 is hereby issued.

We recommend the Academy file an indirect cost allocation plan with the Ohio Department of Education to ensure that federal funds are spent in compliance with laws and regulations.

**Officials' Response:**

As required in CFR Part 225, CCPA-East developed and implemented a plan for indirect food services costs aligned with allowable costs under federal awards. However, a specific indirect cost allocation plan was not officially filed with the Ohio Department of Education. CCPA-East has added this task to the internal food services' checklist to ensure future indirect cost allocation plans are filed with the Ohio Department of Education.

**CINCINNATI COLLEGE PREPARATORY ACADEMY EAST  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Administrative Code 117-2-02 failure to maintain an accounting system and records sufficient to maintain accountability.	Yes	<p>All items in the officials' response have been implemented:</p> <p>"1. Additional internal controls have been added to the School's checklists to ensure documented evidence is in place for all assets recorded and all assets are accurately classified on the statement of net position.</p> <p>2. An additional item has been added to the School's checklists to ensure formal agreements related to building rentals and building purchases are recorded in board minutes.</p> <p>3. An additional item has been added to the School's checklists to ensure the determination of asset values is sufficiently documented.</p> <p>4. An additional item has been added to the School's checklists to ensure Board approval is in place for defining procedures to direct the Treasurer to disburse funds as required by the School's Code of Regulations, Article IV, Section 7. Plus, an additional item has been added to the Treasurer's checklists to ensure funds are disbursed according to those procedures."</p> <p>Additionally, in Fiscal Year 2015, all items listed in Finding 2013-001 were resolved in transactions that included the sale of the Homer Ave. building, school bus, and other reconciliations between Cincinnati College Prep - West and Cincinnati College Prep - East (subsequent events).</p>

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**CINCINNATI COLLEGE PREPATORY EAST  
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	CCPA-East has added the task of "filing the indirect cost allocation plan with the Ohio Department of Education" to its internal control checklists.	08.18.15	Doug Mangen, Treasurer

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# Dave Yost • Auditor of State

**CINCINNATI COLLEGE PREP EAST**

**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  
SEPTEMBER 8, 2015**