



Dave Yost · Auditor of State



**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

East End Community Heritage School  
Hamilton County  
c/o Educational Resource Consultants of Ohio, Inc.  
11260 Chester Road  
Cincinnati, Ohio 45246

To the Board of Directors:

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

We have audited the accompanying financial statements of the East End Community Heritage School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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 financial position of the East End Community Heritage School, Hamilton County, Ohio, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 13 to the financial statements, the School suffered losses from operations and has a net position deficiency of \$30,212. As discussed in Note 15 to the financial statements, operations of East End Community Heritage School ceased on June 30, 2014. The financial statements do not include any adjustments that might result from the School's closure. This matter does not affect our opinion on these financial statements.

***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 also 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling 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.

East End Community Heritage School  
Hamilton County  
Independent Auditor's Report  
Page 3

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 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

April 22, 2015

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**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The management's discussion and analysis of the East End Community Heritage School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2013 are as follows:

- In total, net position was (\$30,212) at June 30, 2013.
- The School had operating revenues of \$545,942, operating expenses of \$1,058,304 and non-operating revenues of \$655,077 for the fiscal year ended June 30, 2013. Total change in net position for the fiscal year ended June 30, 2013 was an increase of \$142,715.

### **Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

### **Reporting the School's Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that 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 Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-21 of this report.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below provides a summary of the School's net position at June 30, 2013 and June 30, 2012.

	<b>Net Position</b>	
	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Current assets	\$ 154,314	\$ 39,502
Capital assets, net	<u>19,001</u>	<u>-</u>
Total assets	<u>173,315</u>	<u>39,502</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>203,527</u>	<u>212,429</u>
Total liabilities	<u>203,527</u>	<u>212,429</u>
<b><u>Net Position</u></b>		
Investment in capital assets	19,001	-
Unrestricted (deficit)	<u>(49,213)</u>	<u>(172,927)</u>
Total net position	<u>\$ (30,212)</u>	<u>\$ (172,927)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position totaled (\$30,212). Assets increased \$133,813 or 338.75% due primarily to an increase in intergovernmental receivables, mainly for the American Recovery and Reinvestment Act (ARRA) School Improvement Competitive 1003(g) grant. Liabilities decreased \$8,902 or 4.19% due to a decrease in accounts payable.

At year-end, capital assets represented 10.96% of total assets. Capital assets consisted of furniture, fixtures and equipment, computers, textbooks and software. Investment in capital assets at June 30, 2013, was \$19,001. These capital assets are used to provide services to the students and are not available for future spending.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below shows the changes in net position for the fiscal year 2013 and 2012.

<b>Change in Net Position</b>		
	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 478,603	\$ 576,374
Special education State foundation	45,584	48,487
Other operating revenues	<u>21,755</u>	<u>15,716</u>
Total operating revenues	<u>545,942</u>	<u>640,577</u>
<b><u>Operating Expenses:</u></b>		
Salaries	406,963	420,071
Fringe benefits	124,474	207,355
Purchased services	451,107	450,468
Materials and supplies	69,392	29,337
Depreciation	1,000	5,400
Other operating expenses	<u>5,368</u>	<u>29,906</u>
Total operating expenses	<u>1,058,304</u>	<u>1,142,537</u>
<b><u>Non-operating Revenues:</u></b>		
Federal grants	654,150	535,519
State grants	<u>927</u>	<u>9,433</u>
Total non-operating revenues/(expenses)	<u>655,077</u>	<u>544,952</u>
Change in net position	142,715	42,992
Net position at beginning of year	(172,927)	(215,919)
Net position at end of year	<u>\$ (30,212)</u>	<u>\$ (172,927)</u>

Net position of the School increased \$142,715. This increase is due to a decrease in operating expenses while overall revenues increased slightly. Operating revenues of the School decreased \$94,635 or 14.77%. This decrease was primarily due to a decrease in state foundation. State foundation primarily decreased due a drop in enrollment of 9 students. Operating expenses decreased \$84,233 or 7.37%. This decrease was due a decrease in salaries and fringe benefits which decreased mainly due a decrease in staffing levels. Non-operating revenues increased \$110,125 or 20.21%. While Title I and Title II-A funding decreased, the School received additional monies from the ARRA School Improvement Competitive and Non-Competitive 1003(g) grants.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Capital Assets**

At June 30, 2013, the School had \$19,001 invested in furniture, fixtures and equipment, computers, textbooks and software. See Note 5 to the basic financial statements for more detail on capital assets.

**Debt Administration**

The School had a short term loan payable of \$11,688 at June 30, 2013. See Note 6 to the basic financial statements for more detail on debt administration.

**Current Financial Related Activities**

The School has had the same finance professional on staff for almost three years now which will aid in the improvements in the quality of financial records and strengthen internal controls. The current rented location for the School is currently in foreclosure requiring the School to move to a new facility. The new building will be a former school building that will help reduce the operational costs as the utilities and repairs are included within the monthly rent. The School anticipates this to be significant savings over the current costs. Moving into a school building will allow the School to market to community centers and churches and it is anticipated that enrollment will increase. The School continues to pay back former employees creating a significant liability (\$109,953) for the current fiscal year. After fiscal year-end, the Ohio Department of Education announced the School would close in June 2014.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Superintendent of the School, East End Community Heritage School, c/o Educational Resource Consultants of Ohio, Inc. (the Sponsor) at 11260 Chester Road, Cincinnati, Ohio 45246.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 2,852
Intergovernmental receivable. . . . .	150,904
Prepayments . . . . .	<u>558</u>
	<u>154,314</u>
Total current assets . . . . .	<u>154,314</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>19,001</u>
Total non-current assets. . . . .	<u>19,001</u>
Total assets. . . . .	<u>173,315</u>

**Liabilities:**

Current liabilities:

Accounts payable. . . . .	8,614
Accrued wages and benefits payable. . . . .	158,100
Pension obligation payable. . . . .	20,979
Intergovernmental payable . . . . .	4,146
Short term loan payable . . . . .	<u>11,688</u>
	<u>203,527</u>
Total current liabilities . . . . .	<u>203,527</u>
Total liabilities . . . . .	<u>203,527</u>

**Net position:**

Investment in capital assets. . . . .	19,001
Unrestricted (deficit) . . . . .	<u>(49,213)</u>
Total net position. . . . .	<u>\$ (30,212)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Operating revenues:**

Foundation payments . . . . .	\$ 478,603
Special education . . . . .	45,584
Other operating revenues . . . . .	21,755
Total operating revenues . . . . .	<u>545,942</u>

**Operating expenses:**

Salaries. . . . .	406,963
Fringe benefits. . . . .	124,474
Purchased services. . . . .	451,107
Materials and supplies . . . . .	69,392
Depreciation . . . . .	1,000
Other operating expenses. . . . .	5,368
Total operating expenses. . . . .	<u>1,058,304</u>
Operating loss . . . . .	<u>(512,362)</u>

**Non-operating revenues:**

Federal grants . . . . .	654,150
State grants . . . . .	927
Total nonoperating revenues. . . . .	<u>655,077</u>

Change in net position . . . . .	<u>142,715</u>
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<b>Net position at beginning of year. . . . .</b>	<u>(172,927)</u>
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<b>Net position at end of year . . . . .</b>	<u>\$ (30,212)</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Cash flows from operating activities:**

Cash received from State of Ohio - Foundation . . . . .	\$ 524,187
Cash received from other operating revenues . . . . .	17,727
Cash payments for personal services . . . . .	(513,888)
Cash payments for contract services . . . . .	(476,799)
Cash payments for materials and supplies . . . . .	(68,961)
Cash payments for other expenses . . . . .	<u>(7,116)</u>

Net cash used in  
operating activities . . . . .

(524,850)

**Cash flows from noncapital financing activities:**

Cash received from state and federal grants . . . . .	<u>542,919</u>
Net cash provided by noncapital financing activities . . . . .	<u>542,919</u>

**Cash flows from capital and related  
financing activities:**

Acquisition of capital assets . . . . .	<u>(20,001)</u>
Net cash used in capital and related financing activities . . . . .	<u>(20,001)</u>
Net decrease in cash and cash cash equivalents . . . . .	<u>(1,932)</u>
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>4,784</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 2,852</u></b>

**Reconciliation of operating loss to net  
cash used in operating activities:**

Operating loss . . . . .	\$ (512,362)
<b>Adjustments:</b>	
Depreciation . . . . .	1,000
<b>Changes in assets and liabilities:</b>	
(Increase) in intergovernmental receivable . . . . .	(4,028)
(Increase) in prepayments . . . . .	(558)
(Decrease) in accounts payable . . . . .	(27,443)
(Decrease) in accrued wages and benefits . . . . .	15,238
(Decrease) in intergovernmental payable . . . . .	(17,676)
Increase in pension obligation payable . . . . .	<u>20,979</u>
Net cash used in operating activities . . . . .	<u>\$ (524,850)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The East End Community Heritage School, Hamilton County, Ohio (the "School"), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 33 14 and 1702 to address the needs of students by utilizing an approved evaluation involving the community. The School 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School 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 School was approved for operation under contract with the Cincinnati Public School District (the "Sponsor") for a period of five years commencing July 1, 1999. The contract was extended for fiscal year 2006. 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. In fiscal year 2006, the School signed a contract with a new sponsor, Educational Resource Consultants of Ohio and they are currently still the School's sponsor.

The School operates under the direction of an eleven-member Board of Trustees of which the majority must be community residents. The Board of Trustees 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 Trustees controls the School's one instructional/support facility staffed by 11 classified or certified full time teaching personnel and 1 administrator who provide services to 82 students.

**NOTE 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 (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School's accounting policies:

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The School uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The statement of cash flows reflects how the School finances and meets its cash now needs.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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 Revised Code Chapter 5705, unless specifically provided in the contract between the School and 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 Investments**

All monies received by the School are accounted for by the School's treasurer. All cash received is maintained in accounts in the School's name. Monies for the School are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**E. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of two thousand dollars. The School 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.

Capital assets 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:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5 Years
Computers	3 Years
Textbooks	7 Years
Software	5 Years

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program and State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2013 totaled \$1,178,337.

**H. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or 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 is available.

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program, the State Special Education program and other miscellaneous revenues earned by the School. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Short-Term Loan Payable**

The School has received advances from several key employees/vendors for various operating activities. The School has no repayment plan in place to pay back the remaining loans and only accounts for the payments when made.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At June 30, 2013, the carrying amount of the School's deposits was \$2,852 and the bank balance was \$22,402. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one-hundred-five percent of the deposits being secure.

**NOTE 4 - RECEIVABLES**

The School also reported intergovernmental receivables for the following amounts:

Description	Amount
SERS True-up	\$ 4,028
Title II-A	9,203
Title I	15,191
Title VI-B	22,900
ARRA School Improvement	
Competitive 1003(g)	97,460
Non-ARRA School Improvement	
Competitive 1003(g)	<u>2,122</u>
Total	<u>\$ 150,904</u>

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013:

	Balance			Balance
	<u>6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2013</u>
<b>Capital Assets Being Depreciated</b>				
Furniture, Fixtures and Equipment	\$ 5,620	\$ -	\$ -	\$ 5,620
Computers	44,234	-	-	44,234
Textbooks	15,647	-	-	15,647
Software	_____-	20,001	_____-	20,001
<b>Total Capital Assets Being Depreciated</b>	<b>65,501</b>	<b>20,001</b>	<b>_____-</b>	<b>85,502</b>
 <b>Less Accumulated Depreciation</b>				
Furniture, Fixtures and Equipment	(5,620)	-	-	(5,620)
Computers	(44,234)	-	-	(44,234)
Textbooks	(15,647)	-	-	(15,647)
Software	_____-	(1,000)	_____-	(1,000)
<b>Total Accumulated Depreciation</b>	<b>(65,501)</b>	<b>(1,000)</b>	<b>_____-</b>	<b>(66,501)</b>
 <b>Capital Assets, Net</b>	<b>\$ ____-</b>	<b>\$ 19,001</b>	<b>\$ ____-</b>	<b>\$ 19,001</b>

**NOTE 6 - DEBT**

At June 30, 2013, the School had a short-term loan payable from key employees of the School. The School did not repay any of the loan amounts to key during 2013. The amount due at June 30, 2013 was \$11,688. The School is evaluating the best way to repay the loan obligations to the various employees, but no repayment plan is currently in place.

**NOTE 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 fiscal year 2013, the School contracted with an insurance carrier for general liability, property, and for educational errors and omissions insurance. The policy's general aggregate, personal and advertising injury and each occurrence limit is \$1,000,000 with a \$500 deductible. There has been no reduction in coverage from the prior year and settled claims have not exceeded the School's coverage in the past three years.

**B. Worker's 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 calculated by the State.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 8 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$14,410, \$5,793 and \$1,885, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 8 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$36,702, \$48,810 and \$42,253, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$6,973 made by the School and \$4,981 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The 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 School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$176, \$251 and \$228, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$814, \$342 and \$121, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

Plan Description - The School contributes to the cost sharing, multiple employer defined 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 visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,823, \$3,755 and \$3,250, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Trustees. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to non-certified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators, and non-certified employees are allowed 3 sick days per year; any unused sick leave is not accumulated.

**B. Insurance Benefits**

The School provides life and medical/surgical benefits to most employees. The School also provides dental benefits to most employees.

**NOTE 11 - CONTINGENCIES**

**Grants**

The School receives 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 are 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. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School at June 30, 2013.

**NOTE 12 - PURCHASED SERVICES**

For the period July 1, 2012 through June 30, 2013, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$ 147,524		
Property Services	49,111		
Travel milage/meeting expense	137,125		
Communications	1,259		
Utilities	40,741		
Other	<u>75,347</u>		
Total Purchased Services	<u>\$ 451,107</u>		

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 13 - MANAGEMENT PLAN TO ADDRESS NEGATIVE NET POSITION**

In 2013, the negative net position was reduced by \$142,715 due in part to additional federal grant revenue and lower operating expenses. Subsequently, the School ceased operations June 30, 2014. (See Note 15)

**NOTE 14 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2013, the School has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 66, “Technical Corrections-2012”.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2013**

**NOTE 14 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had no effect on the beginning net position of the School.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.

**NOTE 15 - SUBSEQUENT EVENT**

Subsequent to June 30, 2013, the Ohio Department of Education announced the School would close in June 2014.

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**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
<b>Child Nutrition Cluster:</b>				
School Breakfast Program	3L70	10.553	\$19,536	\$19,536
National School Lunch Program	3L60	10.555	32,501	32,501
<b>Total U.S. Department of Agriculture - Total Child Nutrition Cluster</b>			<b>52,037</b>	<b>52,037</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
<b>Title I, Part A Cluster:</b>				
Grants to Local Educational Agencies (Title I)	3M00	84.010	28,600	37,298
<b>Total Title I, Part A Cluster</b>			<b>28,600</b>	<b>37,298</b>
<b>Special Education Cluster:</b>				
Special Education Grants to States (IDEA part B)	3M20	84.027	11,946	30,646
<b>Total Special Education Cluster</b>			<b>11,946</b>	<b>30,646</b>
<b>School Improvement Grants Cluster:</b>				
School Improvement Grants	3AN0	84.377	391,835	387,716
ARRA-School Improvement Grants	3DP0	84.388	44,699	38,940
<b>Total School Improvement Grants Cluster:</b>			<b>436,534</b>	<b>426,656</b>
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	3,808	12,316
ARRA-Race to the Top	3FD0	84.395	7,250	5,250
ARRA-Race to the Top (Advancement Via Individual Determination (AVID)]	3FD0	84.395A	902	18,200
Education Jobs Fund (Ed Jobs)	3ET0	84.410	916	0
<b>Total U.S. Department of Education</b>			<b>489,956</b>	<b>530,366</b>
<b>Totals</b>			<b>\$541,993</b>	<b>\$582,403</b>

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

**EAST END HERITAGE COMMUNITY SCHOOL  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# 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

East End Community Heritage School  
Hamilton County  
c/o Educational Resource Consultants of Ohio, Inc.  
11260 Chester Road  
Cincinnati, Ohio 45246

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 business-type activities of East End Community Heritage School, Hamilton County, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 22, 2015, wherein we noted that the School experienced a net position deficiency and that the operations of the School ceased on June 30, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

East End Community Heritage School  
Hamilton County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***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 School'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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 22, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

East End Community Heritage School  
Hamilton County  
c/o Educational Resource Consultants of Ohio, Inc.  
11260 Chester Road  
Cincinnati, Ohio 45246

To the Board of Directors:

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

We have audited East End Community Heritage School, Hamilton County, Ohio (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 East End Community Heritage School's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal program.

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

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

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

Our responsibility is to opine on the School's compliance for the School's major federal program 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 program. However, our audit does not provide a legal determination of the School's compliance.

East End Community Heritage School  
Hamilton County  
Independent Auditor's Report On Compliance with Requirements  
Applicable to the Major Federal Program And On  
Internal Control over Compliance Required By OMB Circular A-133  
Page 2

***Basis for Qualified Opinion on School Improvement Grants Cluster Programs***

As described in findings 2013-002 through 2013-004 in the accompanying schedule of findings, the School did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-002	84.377 and 84.388	School Improvement Grant Cluster	Reporting
2013-003	84.377 and 84.388	School Improvement Grant Cluster	Reporting
2013-004	84.377 and 84.388	School Improvement Grant Cluster	Cash Management and Special Tests

Compliance with these requirements is necessary, in our opinion, for the School to comply with the requirements applicable to these programs.

***Qualified Opinion on School Improvement Grants Cluster Programs***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on School Improvement Grant Cluster* paragraph, the East End Community Heritage School complied, in all material respects, with the requirements referred to above that could directly and materially affect its School Improvement Grant Cluster for the year ended June 30, 2013.

***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 the 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-002 through 2013-005 material weaknesses.

East End Community Heritage School  
Hamilton County  
Independent Auditor's Report On Compliance with Requirements  
Applicable to the Major Federal Program And On  
Internal Control over Compliance Required By OMB Circular A-133  
Page 3

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 22, 2015

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**EAST END HERITAGE COMMUNITY SCHOOL  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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)?	No
(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	Modified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	School Improvement Grants Cluster: CFDA # 84.377 - School Improvement Grants; CFDA # 84.388 – ARRA School Improvement Grants.
(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 2013-001**

**Noncompliance/Material Weakness**

East End Community Heritage School (the School) enters into contracts with School employees. Contents of the employment contracts vary depending on the year of the contract. The School was required by sections of the various contracts to pay employees as follows:

- For contracts in effect for fiscal year 2009, Section 3.01 *Base Compensation* states, in part, that as compensation for services rendered under the agreement the employee shall be paid the agreed wage.
- Also for fiscal year 2009, Section 3.06 *Effect of Termination on Compensation* provides that in the event of termination of employment, employee shall be entitled to compensation accrued and earned prior to the date of termination.
- Section 6 of the fiscal year 2010 contracts provided that the employee would be paid a specified amount and salaries should be paid bimonthly.
- For contracts in effect for fiscal year 2011 and 2012, Section 4 *Compensation* states, in part, that compensation shall be paid in 24 equal twice monthly installments.

The School records presented for audit indicated a liability of \$109,959 as of June 30, 2013 for compensation earned prior to June 30, 2012 that had not been paid to certain employees. The School recorded a liability of \$93,653 as of June 30, 2012 for compensation earned prior to June 30, 2012 that had not been paid to certain employees. This increase of \$16,306 during fiscal year 2013 in amounts owed to certain employees for compensation earned prior to June 30, 2012 indicates that the School is not monitoring and is not accurately calculating employee compensation. Also, based on the liability reflected by the School, it is clear that the School was not compensating all employees timely and/or in accordance with their employment contracts. The School has corrected the financial statements to accurately reflect the increased liability.

Also, the School was unable to present documentation that they remitted the correct employee or employer share of pension obligations to the appropriate retirement system. Based on fiscal year 2013 records, retirement amounts were being remitted as payments were processed which would result in an additional liability to the School for as the liability for unpaid compensation is reduced.

We recommend that the School abide by all employee contracts and remit the appropriate salary and required benefit payments.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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

#### FINDING NUMBER 2013-002

##### Federal Reporting – Noncompliance/Material Weakness

<b>Finding Number</b>	2013-002
<b>CFDA Title and Number</b>	School Improvement Grant Cluster: 84.377 School Improvement Grants 84.388 ARRA-School Improvement Grants
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**34 C.F.R. Part 80.20(b)(2)** states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

**OMB Circular A-133 Subpart C Section .300** states that the auditee shall:

- a) Identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of Federal agency and name of the pass-through entity.
- b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133.

The School did not present a completed federal awards receipts and expenditures schedule for the year ended June 30, 2013. The School provided various accounting reports, ledgers and spreadsheets that allocated certain expenditures to conflicting activities or classes (i.e.-General fund activity versus Grant activity). The primary differences related to most expenditures being posted to the General fund, but subsequently utilized to support amounts submitted to the Ohio Department of Education (ODE) on federal grant Project Cash Request Forms. Expenditures attributed to the School's federal grants should be reflected or adjusted to the appropriate cost center or fund on the School's accounting reports/ledgers.

The School's profit and loss statement indicated the School made Federal grant expenditures, allocated by activity or class, in the amount of \$450,443. Other School records including Project Cash Requests and outside confirmations resulted in adjusted Federal grant expenditures in the amount of \$582,403. This condition led to confusion regarding whether the School was subject to the requirements of OMB Circular A-133 (the Federal Single Audit act). The Federal Awards Receipts and Expenditures Schedule has been adjusted to reflect total federal grant expenditures of \$582,403.

**FINDING NUMBER 2013-002**  
**(Continued)**

For ARRA-School Improvement Grants, the School submitted Project Cash Requests totaling \$38,940 during fiscal year 2013 that were not reflected on the Profit and Loss statement as federal expenditures. The Federal Awards Receipts and Expenditures Schedule has been adjusted to reflect federal grant expenditures of \$38,940 relating to the ARRA-School Improvement Grants.

We recommend School officials review federal funds received and expended each year and to develop procedures to properly reflect federal grant expenditures in the appropriate fund or class on the accounting ledgers.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-003**

**Federal Reporting – Noncompliance/Material Weakness**

<b>Finding Number</b>	2013-003
<b>CFDA Title and Number</b>	School Improvement Grant Cluster: 84.377 School Improvement Grants 84.388 ARRA-School Improvement Grants
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**OMB Circular A-133 Section 200 (b)** states that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with **Section 500** except when they elect to have a program-specific audit conducted in accordance with paragraph **(c)** of this section.

**OMB Circular A-133 Section 320 (a)** states the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The School did not file its June 30, 2013 data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

**FINDING NUMBER 2013-003**  
**(Continued)**

We recommend the School submit its data collection form and reporting package within the time frame as required.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-004**

**Cash Management/Special Tests – Noncompliance/Material Weakness**

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	School Improvement Grant Cluster: 84.377 School Improvement Grants 84.388 ARRA-School Improvement Grants
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**2 CFR section 176.210** states that recipients (1) agree to maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII of the OMB Compliance Supplement.

The School did not segregate ARRA receipts and expenditures related to the School Improvement Grants Cluster.

This condition resulted in difficulties in reconciling the amounts reflected on the Project Cash Request Forms to the amounts reflected on the Accounting records.

We recommend that the School properly allocate ARRA revenues and expenditures into separate classes (i.e., funds and/or cost centers) to allow for the appropriate reporting of federal financial activity.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-005**

**Activities Allowed or Unallowed - Material Weakness**

<b>Finding Number</b>	2013-005
<b>CFDA Title and Number</b>	School Improvement Grant Cluster: 84.377 School Improvement Grants 84.388 ARRA-School Improvement Grants
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

School Officials did not indicate review and approval of invoices to indicate they were reviewed for allowability in accordance with the grant requirements.

Failure to demonstrate review and approval of School expenditures could result in moneys being expended that are not allowable per the grant.

We recommend the School Director or grant coordinator indicate review and approval of all expenditures of federal grants to demonstrate the School has reviewed the expenditures for allowability requirements of the grant.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**EAST END HERITAGE COMMUNITY SCHOOL  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-01	The School failed to pay employees according to contractually agreed upon agreements.	No	Finding reissued as 2013-002
2012-02	<b>Ohio Rev. Code, Section 3314.03(A)(6)(b)</b> , requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student.	Yes	

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**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	The School closed effective June 30, 2014.	04/22/2015	Tracy Jarvis, Treasurer
2013-003	The School closed effective June 30, 2014.	04/22/2015	Tracy Jarvis, Treasurer
2013-004	The School closed effective June 30, 2014.	04/22/2015	Tracy Jarvis, Treasurer
2013-005	The School closed effective June 30, 2014.	04/22/2015	Tracy Jarvis, Treasurer

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

East End Community Heritage School  
Hamilton County  
c/o Educational Resource Consultants of Ohio, Inc.  
11260 Chester Road  
Cincinnati, Ohio 45246

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether East End Community Heritage School, Hamilton County, Ohio (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 18, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature of Dave Yost in black ink.

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 22, 2015

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

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# Dave Yost • Auditor of State

## EAST END COMMUNITY HERITAGE SCHOOL 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MAY 12, 2015