



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 Education Resource Consultants of Ohio  
3401 Hamilton-Mason Road, Suite A  
Hamilton, Ohio 45011

To the Board of Directors:

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

We have audited the accompanying cash-basis financial statements and related notes of East End Community Heritage School, 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 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of the East End Community Heritage School, Hamilton County, Ohio as of June 30, 2014, and the changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, during 2014, the School has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Also, as described in Note 12, the School closed effective June 30, 2014. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the 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 this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 Information*

We applied no procedures to Management's Discussion & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2016, 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.

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

February 24, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 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 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, 2014 are as follows:

- In total, net cash position was \$328.
- The School had operating revenues of \$854,947, operating expenses of \$1,594,342 and non-operating revenues of \$736,871 for the fiscal year ended June 30, 2013. Total change in net position for the fiscal year ended June 30, 2014 was a decrease of \$2,524 from the restated net cash position at June 30, 2013.

**Using these Cash Basis 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 – cash basis and statement of revenues, expenses and changes in net position – cash basis provide information about the activities of the School.

**Reporting the School's Financial Activities**

***Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis***

These documents look at all financial transactions and ask the question, "How did the School do financially during 2014?" The statement of net position – cash basis statement of revenues, expenses and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the School's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the School as a whole, the cash basis 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. These statements can be found on pages 7 and 8 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 9-17 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below provides a summary of the School's net cash position at June 30, 2014 and June 30, 2013. June 30, 2013 amounts have been restated to reflect the School's change in reporting on the cash-basis of accounting from the GAAP-basis of accounting (see Note 11.C for further detail).

<b>Net Cash Position</b>		
	2014	Restated 2013
<b><u>Assets</u></b>		
Current assets	\$ 328	\$ 2,852
Total assets	328	2,852
<b><u>Net Cash Assets</u></b>		
Unrestricted	328	2,852
Total net cash assets	\$ 328	\$ 2,852

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$328 which represents a decrease of \$2,524 from June 30, 2013.

The table below shows the changes in net cash position for the fiscal year 2014 and 2013.

<b>Change in Net Cash Position</b>		
	2014	Restated 2013
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 755,543	\$ 478,603
Special education State foundation	93,050	45,584
Other operating revenues	6,354	29,010
Total operating revenues	854,947	553,197
<b><u>Operating Expenses:</u></b>		
Salaries	699,204	392,322
Fringe benefits	114,152	121,566
Purchased services	631,159	476,799
Materials and supplies	48,171	55,055
Capital outlay	78,686	33,907
Other operating expenses	22,970	7,116
Total operating expenses	1,594,342	1,086,765
<b><u>Non-operating Revenues:</u></b>		
Federal grants	735,748	530,709
State grants	1,123	927
Total non-operating revenues	736,871	531,636
Change in net cash position	(2,524)	(1,932)
Net cash position at beginning of year (restated)	2,852	4,784
Net cash position at end of year	\$ 328	\$ 2,852

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Net cash position of the School decreased \$2,524. Operating revenues increased \$301,750 or 54.55%. This increase can mainly be attributed to an increase in State foundation money which increased primarily due to an increase in students. In fiscal year 2014, the School had 120 students compared to 82 students in fiscal year 2013. Operating expenses of the School increased \$507,577 or 46.71%. Salaries and fringe benefits increased due to an increase of 8 employees over fiscal year 2013.

**Capital Assets**

The School does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

**Debt Administration**

The School has 3 loans outstanding at June 30, 2014. The total balance is \$14,188.

**Current Financial Related Activities**

Effective June 30, 2014, the School has ceased operations (see Notes 12 and 13 to the basic financial statements for detail). The School was reliant upon State foundation monies and Federal Sub-Grants to offer quality, educational services to students.

**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 Educational Resource Consultants of Ohio, 11260 Chester Rd #230, Cincinnati, Ohio 45246.

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**East End Community Heritage School  
Hamilton County, Ohio**

Statement of Net Position - Cash Basis  
June 30, 2014

	<u>2014</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 328</u>
Total assets. . . . .	<u>328</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>328</u>
Total net position . . . . .	<u>\$ 328</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**East End Community Heritage School  
Hamilton County, Ohio**

Statement of Revenues, Expenses, &  
Changes in Net Position - Cash Basis  
For the Period July 1, 2013 through June 30, 2014

	<b>2014</b>
<b>Operating revenues:</b>	
Foundation payments . . . . .	\$ 755,543
Special Education . . . . .	93,050
Other operating revenues . . . . .	6,354
Total operating revenues . . . . .	854,947
<b>Operating expenses:</b>	
Salaries . . . . .	699,204
Fringe benefits . . . . .	114,152
Purchased services . . . . .	631,159
Materials and supplies . . . . .	48,171
Capital outlay . . . . .	78,686
Other operating expenses . . . . .	22,970
Total operating expenses . . . . .	1,594,342
Operating loss . . . . .	(739,395)
<b>Non-operating revenues:</b>	
Federal grants . . . . .	735,748
State Grants . . . . .	1,123
Total non-operating revenues . . . . .	736,871
Change in net position . . . . .	(2,524)
<b>Net position at beginning of the period . . . . .</b>	<b>2,852</b>
<b>Net position at end of the period . . . . .</b>	<b>\$ 328</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014**

**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 ceased operations effective June 30, 2014 (see Notes 12 and 13 to the basic financial statements for detail).

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 19 classified or certified full time teaching personnel and 1 administrator who provide services to 120 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the School at fiscal year end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the School's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

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

The School uses enterprise accounting to track and report on its financial activities. 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) 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014**

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

The School's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**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. Inventory and Prepayments**

The School reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**F. Capital Assets and Depreciation**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**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 when cash is received.

Grants and entitlements are recognized as non-operating revenues when cash is received.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$1,584,341.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

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

**H. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation 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.

**K. Short-Term Loan Payable**

The School had received advances from several key employees/vendors for various operating activities. The School repaid these amounts during fiscal year 2014.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At June 30, 2014, the carrying amount of the School's deposits was \$328 and the bank balance was \$28,120. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 4 - DEBT**

The School has three loans outstanding at June 30, 2014. The total balance is \$14,188.

**NOTE 5 - 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 2014, 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.

**NOTE 6 - 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 2014, 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, 2014, 2013 and 2012 were \$20,764, \$14,410 and \$5,793, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 6 - PENSION PLANS - (Continued)**

**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.

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 2014, plan members were required to contribute 11 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, 2014, 2013 and 2012 were \$70,292, \$36,702 and \$48,810, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$7,909 made by the School and \$6,214 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, 2014 certain members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 7 - 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 2014 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".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$222, \$176 and \$251, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,205, \$814 and \$342, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 7 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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 2014, 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, 2014, 2013 and 2012 were \$5,407, \$2,823 and \$3,755, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**NOTE 8 - 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 9 - CONTINGENCIES**

**A. 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, 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 9 - CONTINGENCIES - (Continued)**

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews of schools' enrollment data and full-time equivalency (FTE) calculations. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the School owes \$9 to the Ohio Department of Education.

**NOTE 10 - PURCHASED SERVICES**

For the period July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$ 421,555		
Property Services	63,612		
Communications	2,643		
Utilities	39,086		
Other	<u>104,263</u>		
Total Purchased Services	<u>\$ 631,159</u>		

**NOTE 11 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

**B. Change in Basis of Accounting and Restatement of Prior Year Net Position**

Ohio Administrative Code, Section 117-2-03(B), requires that the School prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2014, the School changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The School has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Net position at June 30, 2013 has been restated to account for the change in accounting principle, which effectively eliminated accruals of assets and liabilities.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2014

**NOTE 11 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net position at June 30, 2013:

Net position at June 30, 2013	\$ (30,212)
Adjustment due to change in basis of accounting	<u>33,064</u>
Restated net cash position at June 30, 2013	<u>\$ 2,852</u>

**C. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

**NOTE 12 - CEASED OPERATIONS**

The School was notified by ODE that the School must close by June 30, 2014 due to continued poor academic performance. ODE's determination was based on the specific performance criteria described in Ohio Revised Code Section 3314.35 as revised by the Ohio General Assembly effective July 17, 2009. The School ceased operations on June 30, 2014.

**NOTE 13 - SUBSEQUENT EVENT**

The School has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and the community, disposition of assets and the preparation of financial statements.

As of January 29, 2016, the School had a cash balance of \$26,614.

Total expenditures and cash receipts subsequent to year end through the report date were as follows:

Cash balance at June 30, 2014	\$ 328
Cash receipts:	
Other operating receipts	<u>42,552</u>
Total cash receipts	<u>42,552</u>
Cash disbursements:	
Purchased services	16,171
Other	<u>95</u>
Total cash disbursements	<u>16,266</u>
Cash balance at January 29, 2016	<u>\$ 26,614</u>

Once all liabilities are liquidated, any residual cash balance will be returned to ODE as required by Ohio Revised Code, Section 3313.074.

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**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<b>Child Nutrition Cluster:</b>				
School Breakfast Program	3L70	10.553	\$24,848	\$24,848
National School Lunch Program	3L60	10.555	44,079	44,079
<b>Total U.S. Department of Agriculture - Total Child Nutrition Cluster</b>			<b>68,927</b>	<b>68,927</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<b>Title I, Part A Cluster:</b>				
Grants to Local Educational Agencies (Title I) - SY2014	3M00	84.010	30,196	30,196
Grants to Local Educational Agencies (Title I) - SY2013	3M00	84.010	15,191	15,191
<b>Total Title I, Part A Cluster</b>			<b>45,387</b>	<b>45,387</b>
<b>Special Education Cluster:</b>				
Special Education Grants to States (IDEA part B) - SY2014	3M20	84.027	15,854	15,854
Special Education Grants to States (IDEA part B) - SY2013	3M20	84.027	22,900	22,900
<b>Total Special Education Cluster:</b>			<b>38,754</b>	<b>38,754</b>
Title II-A - Improving Teacher Quality State Grants - SY2014	3Y60	84.367	14,008	14,008
Title II-A - Improving Teacher Quality State Grants - SY2013	3Y60	84.367	9,203	9,203
<b>Total Title II-A - Improving Teacher Quality</b>			<b>23,211</b>	<b>23,211</b>
<b>School Improvement Grant (SIG) Cluster:</b>				
School Improvement Grant 2014	3AN0	84.377	450,000	450,000
School Improvement Grant 2013	3AN0	84.377	2,122	2,122
<b>Total School Improvement Grant</b>			<b>452,122</b>	<b>452,122</b>
ARRA-School Improvement Grant 2013	3DP0	84.388	97,500	104,269
<b>Total School Improvement Grant Cluster</b>			<b>549,622</b>	<b>556,391</b>
ARRA-Race to the Top	3FD0	84.395	9,848	9,848
<b>Total U.S. Department of Education</b>			<b>666,822</b>	<b>673,591</b>
<b>Totals</b>			<b>\$735,749</b>	<b>\$742,518</b>

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

**EAST END COMMUNITY HERITAGE SCHOOL  
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 East End Community Heritage 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 Education Resource Consultants of Ohio  
3401 Hamilton-Mason Road, Suite A  
Hamilton, Ohio 45011

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 cash-basis financial statements of the business-type activities of the East End Community Heritage School, 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 February 24, 2016, wherein we noted the School uses a special purpose framework other than generally accepted accounting principles, elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards* and the School closed effective 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.

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.

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 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 2014-001.

***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

February 24, 2016



# 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 Education Resource Consultants of Ohio  
3401 Hamilton-Mason Road, Suite A  
Hamilton, Ohio 45011

To the Board of Directors:

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

We have audited the 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 the School's major federal program for the year ended June 30, 2014. 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.

### ***Opinion on the Major Federal Program***

In our opinion, the East End Community Heritage School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program 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 as item 2014-002 to be a material weakness.

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

February 24, 2016

**EAST END COMMUNITY HERITAGE SCHOOL  
HAMILTON COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<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>	Yes
<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>	Unmodified
<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>	School Improvement Grants Cluster: CFDA #84.377- School Improvement Grant; and CFDA #84.388 – ARRA School Improvement Grant
<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**

**FINDING NUMBER 2014-001**

**Noncompliance**

**Ohio Rev. Code, Section 117.38**, provides, in part, that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

**Ohio Admin. Code Section 117-2-03(B)** requires the School to prepare its annual financial report in accordance with generally accepted accounting principles.

The School did not prepare its annual financial report in accordance with generally accepted accounting principles. Instead, the School prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Financial statements prepared in accordance with the cash basis of accounting omit material assets, liabilities, fund equities, and disclosures.

The School can be fined and various other administrative remedies may be taken against the School.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2014-002**

**Activities Allowed or Unallowed – Material Weakness**

<b>Finding Number</b>	2014-002
<b>CFDA Title and Number</b>	School Improvement Cluster: CFDA #84.377 School Improvement Grant CFDA #84.388 ARRA School Improvement Grant
<b>Federal Award Number / Year</b>	School Improvement Grant – 2014 ARRA School Improvement Grant – 2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

The School should have designated a knowledgeable management representative to review all federal grant expenditures prior to payment to ascertain whether the expenditures met the allowability requirements of the grant award. This review would reduce the likelihood of the School expending funds that are not allowable for the grant or could result in questioned costs. School Officials did not indicate review and approval of any invoices to document their review of the criteria for allowability in accordance with the grant guidelines.

**FINDING NUMBER 2014-002**  
**(Continued)**

The School Director or grant coordinator should have indicated review and approval of all expenditures of federal grants to demonstrate the School has reviewed the expenditures for allowability requirements of the grant.

We did not receive a response from Officials to the findings reported above.

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**EAST END COMMUNITY HERITAGE SCHOOL  
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	Noncompliance/ Material Weakness- Outstanding liability owed to employees for pay-periods where the School did not have the funds to pay employees.	Yes	
2013-002	Federal Reporting - School has conflicting federal expenditure records.	Yes	
2013-003	Federal Reporting - The Data Collection Form and report package were not filed within the required time frame.	No	Reissued as a verbal comment to management. Finding no longer valid based on Auditor of State reporting position.
2013-004	Cash Management/ Special Tests- School did not separate ARRA money in the accounting system.	Yes	
2013-005	Activities Allowed or Unallowed- Material Weakness- Board did not approve invoices for School Improvement Grant expenses to indicate the expenditure was allowable per the grant.	No	Reissued as 2014-002

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**EAST END COMMUNITY HERITAGE SCHOOL  
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
2014-002	The School closed effective June 30, 2014.	N/A	Tracy Jarvis, Treasurer

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# Dave Yost • Auditor of State

**EAST END HERITAGE COMMUNITY 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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2016**