



Dave Yost • Auditor of State

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board Members and Sponsor:

We were engaged to audit the accompanying basic financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of transactions and balances related to Miscellaneous Revenues as of and for the year ended June 30, 2011.

The Academy understated debt payments by \$64,186.

The Academy understated Capital Assets in the amount of \$683,203 which also resulted in understated accumulated depreciation of \$192,201.

The Academy did not provide sufficient evidence supporting the accuracy of *Invested in Capital Assets, Net of Related Debt* as of June 30, 2011.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of the *Statement of Cash Flows* as of and for the year ended June 30, 2011.

The Academy did not disclose the following events which occurred subsequent to June 30, 2011:

- Board Approved up to \$75,000 loan to Cincinnati Preschool Academy, which will be funded through the Ohio Department of Family Services for start-up costs to include payroll & benefits for former staff & new staff.
- Board approved receiving loans from Glen Scherzinger for \$50,000; Stephanie Millard for \$20,000; and Lisa Hamm for \$100,000 for cash flows.

The Academy's legal counsel did not disclose whether any contingencies related to pending litigation existed.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 29, 2014

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- For fiscal year 2011 assets exceeded liabilities by \$2,439,462.
- The Academy derived 88 percent of their revenues through federal and state programs.
- Salaries and benefits accounted for 61 percent of the \$6,609,726 in operating expenses for fiscal year 2011.
- The Academy saw the long term liabilities increase by \$518,267 in fiscal year 2011 as the Academy added a new facility.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The statement of net assets presents information on all the Academy's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Academy's net assets changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 1 provides a summary of the Academy's net assets for fiscal year 2011 compared to fiscal year 2012.

Table 1
Net Assets

	2011	Restated 2010	Change
Assets			
Current assets	\$490,196	\$344,397	\$145,799
Investment in LLC	867,502	857,434	10,068
Capital assets, net	4,845,550	3,512,639	1,332,911
<i>Total assets</i>	<u>6,202,798</u>	<u>4,714,470</u>	<u>1,488,778</u>
Liabilities			
Current liabilities	1,199,512	753,539	445,973
Long term liabilities	2,563,824	1,983,611	580,213
<i>Total liabilities</i>	<u>3,763,336</u>	<u>2,737,150</u>	<u>1,026,186</u>
Net Assets			
Invested in capital assets	2,005,334	1,190,690	814,644
Unrestricted	434,128	786,630	(352,502)
<i>Total net assets</i>	<u>\$2,439,462</u>	<u>\$1,977,320</u>	<u>\$462,142</u>

The Academy saw current assets increase although the cash balance dropped about \$170,000 from 2010. The Academy saw receivables increase with the amount due from new East campus. The capital assets increased significantly as the Academy added a new facility and significant improvements through the various buildings.

The current liabilities jumped up significantly as the amount reported as accrued wages was almost double that reported in the prior year and the Academy had a significant amount of vendor payables as the construction work was not completed on the new facility. The long term liabilities also increased as the Academy entered into a new bank loan for \$734,000 during the fiscal year.

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the change in net assets for the year ended 2012 compared to fiscal year 2011.

Table 2
Change in Net Assets

	2011	2010	Change
Revenues			
Operating revenues:			
Foundation payments	\$4,318,754	\$4,343,087	(\$24,333)
Rental	356,562	86,122	270,440
Classroom fees	26,219	0	26,219
Charges for services	14,922	43,554	(28,632)
Other operating revenues	461,670	109,643	352,027
Non-operating revenues:			
Federal and state grants	2,002,412	2,136,985	(134,573)
Interest	51	1	50
Total revenues	7,180,590	6,633,584	547,006
Expenses			
Operating expenses:			
Salaries	3,177,067	2,478,592	698,475
Fringe benefits	913,772	868,789	44,983
Purchased services	1,651,761	1,036,492	615,269
Materials and supplies	565,752	971,163	(405,411)
Depreciation	208,376	208,516	(140)
Other expenses	92,998	500,529	(407,531)
Non-Operating Expenses:			
Interest and fiscal charges	108,722	0	108,722
Total Expenses	6,718,448	6,604,081	114,367
Change in Net Assets	462,142	569,503	(\$107,361)
Beginning Net Assets	1,977,320	1,407,817	
Ending Net Assets	\$2,439,462	\$1,977,320	

The Academy saw revenues increase from 2010 to 2011 as the Academy received additional revenue from the leasing of retail structures and the East Campus. The Academy did increase the total expenses for the current year slightly but there are larger variance sin the individual items as the classification between the two fiscal years is not consistent.

**Cincinnati College Preparatory Academy
Hamilton County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Capital Assets

At the end of 2011, the Academy had \$4,845,550 (net of \$1,093,237 in accumulated depreciation) invested in land, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2011 balances compared to fiscal year 2010:

Table 3
Capital Assets at June 30 (net)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Building and Improvements	\$4,665,970	\$3,443,009	\$1,222,961
Furniture and Equipment	153,666	31,407	122,259
Vehicles	25,914	38,223	(12,309)
Totals	<u>\$4,845,550</u>	<u>\$3,512,639</u>	<u>\$1,332,911</u>

For more information on the Academy's capital assets refer to note 5 of the notes to the financial statements.

Debt

At June 30, 2011, the Academy had three building loans, a term loan, ymca payable and another bramble payable that totaled of \$2,840,216. The Academy issued a new loan during the year for \$734,175 to acquire and improve a new facility. For more information on the Academy's debt refer to Note 7 of the notes to the financial statements.

Current Financial Issues

The Academy continues to increase enrollment annually. The Academy received funding in 2011 based on 697 FTE students, which has increased from 678 as of final 2010 foundation report. The Academy receives its finances mostly from state aid. As of the May 2013 foundation report, the Academy is now being funded at 884 FTE students.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact the Superintendent of the Academy, 1425 Linn Street, Cincinnati, Ohio 45214 or call (513) 684-0777.

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Net Assets**

As of June 30, 2011

Assets:

Current assets:

Cash and cash equivalents	\$ 40,304
Accounts receivable	272,662
Intergovernmental receivable	177,230
Total current assets	<u>490,196</u>

Noncurrent assets:

Investment in LLC	867,052
Depreciable Capital assets	4,845,550
Total noncurrent assets	<u>5,712,602</u>

Total Assets 6,202,798

Liabilities:

Current liabilities

Accounts payable	307,303
Accrued wages and benefits payable	615,817
YMCA debt payable - Current	70,001
Current portion of long term debt	206,391
Total current liabilities	<u>1,199,512</u>

YMCA debt payable less current portion	221,666
Long term debt less current portion	2,342,158
Total current liabilities	<u>2,563,824</u>

Total Liabilities 3,763,336

Net Assets:

Invested in capital assets, net of related debt	2,005,334
Unrestricted	434,128

Total net assets \$ 2,439,462

See accompanying notes to the basic financial statements

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Revenues, Expenses and Changes in Net Assets**

For the Fiscal Year Ended June 30, 2011

Operating Revenues:	
Foundation payments	\$ 4,318,754
Rental	356,562
Classroom fees	26,219
Charges for services	14,922
Other operating revenues	461,670
	<hr/>
Total operating revenues	5,178,127
	<hr/>
Operating Expenses:	
Salaries	3,177,067
Fringe benefits	913,772
Purchased services	1,651,761
Materials and supplies	565,752
Depreciation	208,376
Other operating expenses	92,998
	<hr/>
Total operating expenses	6,609,726
	<hr/>
Operating Loss	(1,431,599)
	<hr/>
Non-Operating Revenues and Expenses:	
Federal grants	1,979,233
State grants	23,179
Interest revenue	51
Interest and fiscal charges	(108,722)
	<hr/>
Total non-operating revenues and expenses	1,893,741
	<hr/>
Change in net assets	462,142
Net assets at beginning of year - restated	1,977,320
Net assets at end of year	<u><u>\$ 2,439,462</u></u>

See accompanying notes to the basic financial statements

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2011

Decrease in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 4,318,754
Cash received from rental activity	83,900
Cash received from materials and fees and other charges for services	41,141
Cash received from other operating revenues	461,670
Cash payments for personal services	(3,757,575)
Cash payments for contract services	(1,533,314)
Cash payments for supplies and materials	(558,954)
Cash payments for other expenses	(53,206)
Net cash used for operating activities	<u>(997,584)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>1,958,931</u>
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Cash flows from capital and related financing activities:

Acquisition of Capital Assets	(1,541,287)
Proceeds from Sale of Notes	734,175
Principal paid on debt obligations	(215,908)
Interest paid on debt obligations	(108,722)
Net cash used by capital and related financing activities	<u>(1,131,742)</u>

Cash flows from investing activities:

Investment income	<u>51</u>
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Net change in cash and cash equivalents	(170,344)
Cash and Cash Equivalents at beginning of year	<u>210,648</u>
Cash and Cash Equivalents at end of year	<u><u>40,304</u></u>

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(1,431,599)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	208,376
Change in assets and liabilities:	
Decrease in accounts receivable	(272,662)
Increase in Investment in LLC	(9,618)
Increase in accounts payable	202,903
Increase in accrued wages and benefits	305,016
	<u>305,016</u>

Net cash used for operating activities	<u><u>\$ (997,584)</u></u>
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See accompanying notes to the basic financial statements

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Cincinnati College Preparatory Academy

Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

1. DESCRIPTION OF THE REPORTING ENTITY

Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades one through eight. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

Cincinnati College Preparatory Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy currently has a sponsorship agreement with Kid's Count of Dayton, Inc.

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by certified full time teaching personnel who provide services to 697 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. However, the Academy has elected not to apply FASB statements and interpretations after November 30, 1989. Following are the more significant of the Academy's accounting policies.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net assets, 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 and all liabilities are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

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 Academy and its Sponsor. The contract between the Academy 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 Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy 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 Academy 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.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated 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>
Building and Improvements	1-50 years
Furniture and Equipment	5 years
Vehicles	5 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2011 totaled \$6,321,166.

Cincinnati College Preparatory Academy

Hamilton County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the Academy at year-end represent unspent Federal and State grant resources for specific instruction programs and Academy restricted budget reserve. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Estimates

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

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

At June 30, 2011, the carrying amount of the Academy's deposits was \$40,304 and the bank balance was \$107,184. 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 Academy 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 Academy.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

3. DEPOSITS AND INVESTMENTS (continued)

The Academy 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 Academy 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.

4. RECEIVABLES

Receivables at June 30, 2011, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Intergovernmental</u>	<u>Amount</u>
Reducing Class Size	\$22,836
Title VI-B	13,958
Public Preschool Grant	44
Education Jobs Grant	63,835
School Lunch Reimbursement	1,887
Title I	<u>74,670</u>
Total	<u>\$177,230</u>

The Academy also had a significant accounts receivable from the East Campus but payments made on behalf of the East by the Academy. The East Campus was officially split as a separate school during fiscal year 2012. The receivable (\$269,091) was repaid during fiscal year 2012.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011:

	Restate Balance 6/30/10	Additions	Deductions	Balance 6/30/11
Capital Assets Being Depreciated				
Building and Improvements	\$3,875,386	\$1,394,656	\$0	\$5,270,042
Furniture and Equipment	397,626	146,631	0	544,257
Vehicles	124,488	0	0	124,488
Total Capital Assets Being Depreciated	<u>4,397,500</u>	<u>1,411,261</u>	<u>0</u>	<u>5,938,787</u>
Less Accumulated Depreciation				
Building and Improvements	(432,377)	(171,695)	0	(604,072)
Furniture and Equipment	(366,219)	(24,372)	0	(390,591)
Vehicles	(86,265)	(12,309)	0	(98,574)
Total Accumulated Depreciation	<u>(884,861)</u>	<u>(208,376)</u>	<u>0</u>	<u>(1,093,237)</u>
Capital Assets, Net	<u>\$3,512,639</u>	<u>\$1,202,885</u>	<u>\$0</u>	<u>\$4,845,550</u>

6. INVESTMENT IN LIMITED LIABILITY COMPANY (LLC)

In February 2010, the Academy entered into an agreement with The Young Men's Christian Association of Greater Cincinnati (YMCA) to form West End Cincinnati Victory Partners LLC (LLC). The purpose of the LLC is to own and maintain the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC. The YMCA is the managing partner of the LLC. The Academy has reported an accounts payable of \$77,765 for their respective share of obligations paid by the YMCA during the year. The Academy also initially funded the LLC through an entity contribution of \$750,750 and seen the balance grow to \$1,159,084. The Academy also has an operating deficit of (\$292,032) resulting in an investment of \$867,052.

7. DEBT

The Academy has the following outstanding long term obligations as of June 30, 2011.

Description	Restated Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Due Within One Year
(a) Building Loan	\$544,180	\$0	\$65,302	\$478,878	\$65,301
(b) Building Loan	0	734,175	4,006	730,169	25,003
(c) Building Loan	716,029	0	17,553	698,476	26,724
(d) Term Loan	323,402	0	82,376	241,026	89,363
(e) YMCA Payable	338,338	0	46,671	291,667	70,001
(f) Bramble Payable	400,000	0	0	400,000	0
Total	<u>\$2,321,949</u>	<u>\$734,175</u>	<u>\$215,908</u>	<u>\$2,840,216</u>	<u>\$276,392</u>

- (a) In August 2003, the Academy purchased a building at 1425 Linn Avenue and entered into a mortgage loan for \$790,000 to finance the purchase. The loan is amortized over eighteen years and carries a fixed 3.75% interest rate.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

- (b) In April 2011, the Academy purchased a building at 1515 Linn Avenue and entered into a mortgage loan for \$734,175 to finance the purchase. The loan is amortized over eighteen years and carries a fixed 6.25% interest rate.
- (c) In December 2009, the Academy entered in a construction loan for purchase and renovation to the original building at 1515 Linn Avenue and entered into a mortgage loan for \$734,175 to finance the purchase. The loan is amortized over nineteen years and carries a fixed 7.15% interest rate.
- (d) In February 2010, the Academy entered into a term loan for \$163,333 to finance expenses associated with the renovations and furnishing of the high school building. In February 2011, the Academy entered into another term loan for expenses for the same purpose. The loans are amortized over a four year term at a 5.5% interest rate.
- (e) In April 2009, the Academy signed a note payable for \$700,000 to it's co-investor in the LLC (YMCA payable) for leasehold improvements to the building which the LLC owns. The note is non-interest bearing with equal quarterly installments beginning in August 2007.
- (f) In October 2010, the Academy entered into an agreement with Bramble Investments LLC for the purchase of the building at 4324 Homer Avenue. The Academy paid an initial \$100,000 with the \$400,000 balance financed over a four year period. The payments are interest only through November 2012 with \$100,000 due in October 2012 and 2013 and the balance in October 2014. The loan carries an 8% interest rate on the outstanding balance.

Estimated principal and interest requirements to retire long term debt, including notes and loans outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Long Term Payables		
	Principal	Interest	Total
2012	\$276,392	\$146,369	\$422,761
2013	287,966	142,818	287,966
2014	330,406	131,076	330,406
2015	464,775	102,649	464,775
2016	117,059	89,510	117,059
2017-2021	628,425	345,045	867,253
2022-2026	531,825	174,512	677,314
2027-2028	203,367	15,133	206,586
Total	<u>\$2,840,216</u>	<u>\$1,147,112</u>	<u>\$3,374,120</u>

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2011, the Academy contracted with the O'Neil Group for general liability, property and educational errors and omissions insurance. Coverage provided includes the following with a \$1,000 deductible in total:

General Liability (no deductible):	
Per occurrence	\$1,000,000
Total per year	2,000,000
Building and Contents	1,000,000
Boiler and Machinery	1,000,000
Business Personal Property	1,000,000
Educational Errors and Omissions	1,000,000

Settled claims have not exceeded coverage in the past three years. There has been no significant change in coverage from last year.

B. Worker's Compensation

The Academy 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.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, 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 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

8. DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$111,866, \$92,305, and \$128,591, respectively; 61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Cincinnati College Preparatory Academy
Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

8. DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$282,354, \$243,528 and \$227,808, respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$17,821 made by the Academy and \$12,730 made by the plan members.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

9. POSTEMPLOYMENT BENEFITS (continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$17,394, \$12,462 and \$20,444 respectively; 61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2011, 2010, and 2009 were \$6,036, \$4,324, and \$11,607, 61 percent has been contributed for fiscal year 2011 with 100% for fiscal year 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health 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 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,428, \$17,394, and \$17,586 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

10. OTHER EMPLOYEE BENEFITS

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

11. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

12. PURCHASED SERVICES

For the period July 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$673,461
Utilities	184,591
Food Service	411,189
Communications	55,774
Property Services	301,436
Other	25,310
Total Purchased	<u>\$1,651,761</u>

13. RELATED PARTY TRANSACTIONS

ROAR Education, also known as Education Catalysts, an entity formed to provide training to school operators, teachers and staff, was operated from the same location at the Academy during 2011 and did not pay for use of the facilities.

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

Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

13. RELATED PARTY TRANSACTIONS (continued)

An agreement was entered into in February 2005 between the YMCA and the Academy to form "West End Cincinnati Victory Partners." The LLC owns and maintains the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC.

Eleven payments were made during the fiscal year to the YMCA for \$70,491, of which Joe Calloway, Board Member, is the YMCA Executive Director.

14. RESTATEMENT OF NET ASSETS

The Academy had original reported June 30, 2010 net assets of \$2,013,128. After review of the supporting documentation it was determined that the amount reported for the Investment in the LLC was overstated, the capital assets were over depreciated and the amount reflected as long term debt obligations were overstated as well. The following table shows the impact those changes had on the beginning net assets:

Net Assets at June 30, 2011	\$2,013,128
Overstatement of Investment in LLC	(544,900)
Excess depreciation on capital assets	66,830
Understatement of YMCA debt obligation	(13,358)
Overstatement of long term debt	455,620
Restated Net Assets at June 30, 2011	<u>\$1,977,320</u>

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED June 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Federal Breakfast Program	05-PU	10.553	\$ 106,397	\$ 106,397
Federal Lunch Program	LL-P1 & LL-P4	10.555	306,475	306,475
			\$ 412,872	\$ 412,872
Grants to Local Educational Agencies				
Edjobs		84.410	198,303	198,303
Federal Stimulus-SFSF		84.394	366,108	366,108
ESEA Title I	C1-S1	84.010	743,121	591,323
ARRA - ESEA Title I	C1-S1			-
Improving Teacher Quality	TR-S1	84.367	39,162	39,162
Technology Literacy Challenge	TJ-S1	84.318	5,433	5,433
Drug-Free Schools Grant	DR-S1	84.186	6,352	6,352
Preschool Special Ed		84.173	1,085	1,085
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	146,831	146,831
ARRA - Special Education Grants to States (IDEA Part B)	6B-SF			-
Total Department of Education			\$ 1,506,395	\$ 1,354,597
Totals			\$ 1,919,267	\$ 1,767,469

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

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board Members and Sponsor:

We were engaged to audit the financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated January 29, 2014. Our report indicated that because we were unable to obtain written representations from the Academy's management and the Academy failed to adequately present or document debt, capital assets, subsequent events, cash flow statements and contingencies relating to any pending litigation, we did not express an opinion.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-005 and 2011-007 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-004 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2011-001 through 2011-003 and 2011-006 through 2011-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 29, 2014.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 29, 2014



Dave Yost • Auditor of State

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

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

To the Board Members and Sponsor:

Compliance

We have audited the compliance of Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cincinnati College Preparatory Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

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

As described in findings 2011-011 and 2011-013 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Activities Allowed or Unallowed for the Education Jobs major federal program, and Maintenance of Effort for the Title I Grants to Local Educational Agencies grant major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Academy did not comply, in all material respects with the requirements referred to above that could directly and materially affect its Title I and Education Jobs major federal programs. Also, in our opinion, the Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its other major federal program for the year ended June 30, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-012.

Internal Control over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. 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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-010 through 2011-013 to be material weaknesses.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 29, 2014

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified - CFDA 84.010 and 84.389 Title I Grants to Local Educational Agencies Cluster CFDA 84.410 Education Jobs Unqualified - CFDA 84.394 State Fiscal Stabilization Fund
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 84.010 and 84.389 Title I Grants to Local Educational Agencies Cluster CFDA 84.394 State Fiscal Stabilization Fund CFDA 84.410 Education Jobs
(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 2011-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

The High School Principal's salary for the 2011 school year was approved by the Board on September 8, 2010, for \$90,638. The High School Principal was paid a total of \$95,913 which resulted in an overpayment of \$5,275. Ledgers indicated that the overpayments were for extracurricular activities; however, there was no evidence the Board approved an amendment to their contract or extra payments for extra-curricular activity.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Guyton Mathews, Principal for Cincinnati College Preparatory Academy, in the amount of \$5,275.

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

Stephanie Millard, School Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, will be jointly and severally liable in the amount of \$5,275 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-002

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

The Board approved contracts for all certified staff on September 8, 2010.

- Sheila Bermudez's approved contract rate was \$10 per hour. According to the payroll ledgers, she was paid \$10.50/hour. Based on her approved salary rate, Sheila Bermudez should have been paid \$24,364 but was paid \$25,582 resulting in an overpayment of \$1,218.
- Benny Mason's approved contract rate was \$11 per hour. According to the payroll ledgers, he was paid \$11.50/hour. Based on his approved salary rate, Benny Mason should have been paid \$28,901 but was paid \$30,214 resulting in an overpayment of \$1,313.

**FINDING NUMBER 2011-002
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Shelia Bermudez in the amount of \$1,218 and Benny Mason in the amount of \$1,313.

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

Stephanie Millard, School Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, will be jointly and severally liable in the amount of \$2,531 and in favor of the Cincinnati College Preparatory Academy.

Officials’ Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-003

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Ohio Attorney General Opinion 82-006 indicates that since the decision to expend public funds for meals, refreshments or other amenities for persons other than employees is in a sense a legislative decision, it must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Lisa Hamm, Superintendent, charged \$37,604 in expenditures to CCPA/LKH Victory Corporation credit cards resulting in improper payments. These expenditures were not approved by the Board, and are considered by the Auditor of State to be manifestly arbitrary and incorrect. Specifically, these charges were made to vendors such as Cirque du Soleil, Wahoo Zip Lines - Gatlinburg, Benihana Steak House, Blue Hawaiian Helicopter Tours, Hawaiian Airlines, The Boathouse, Brio Newport, Tickets.com (for a Chicago Cubs vs. Pittsburgh Pirates game), Wendella (sightseeing boat), AMC Newport, Aronoff Center, and Seadog Ventures related to entertainment, trips and personal items for Academy Staff.

**FINDING NUMBER 2011-003
 (Continued)**

Category	Amount
Entertainment	\$9,806
Medical Expenses	554
Miscellaneous Expenses Unrelated to CCPA Operations	1,226
No Receipt Provided for Audit	3,440
Preschool Expenses Unrelated to CCPA Operations	2,481
Staff and Student Incentives	13,212
Hawaiian Educational Conference – unauthorized travel and entertainment	1,334
Meals	5,551
Total	\$37,604

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Lisa Hamm, Superintendent, in the amount of \$37,604.

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

Stephanie Millard, School Treasurer, signed some of the checks noted above for improper payments. Accordingly, Fiscal Officer Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$37,604.

Officials’ Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-004

Significant Deficiency

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

**FINDING NUMBER 2011-004
(Continued)**

The Academy has not implemented formal written policies or procedures for paid leave other than stating that all eligible employees will be granted Combined Time Off "CTO" with pay as dictated within their specific contract. Combined Time Off included vacation, personal, sick and other employee leaves. The Academy did not monitor employee leave usage to ensure employees did not exceed their contract's "CTO". Contracts for the superintendent, principal and assistant principal contained no provisions regarding leave time and usage and their usage was not documented and monitored. Leave forms or other documentation requesting and approving leave were not maintained. The type of leave used was not recorded or used to monitor compliance with employee contract provisions. During payroll testing we noted that for 53 of 65 employees (81%), the contracts did not indicate the amount of approved "CTO" in the contract. For 37 of 65 employees (57%), the contracts did not indicate the amount of approved "CTO" in the contract, and the employees took leave during the period.

Of the twelve employees that did have "CTO" dictated in their contracts, we noted two which exceeded their allotted leave time. Patty Geers had 5 days 3.5 hours of leave was .44 days over her approved 5 days. Steven Hamm had 22 days .5 hours which was 2.06 days over his approved 20 days.

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

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

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-005

Material Weakness

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

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

- For 1 of 7 (14%) employees, the Academy did not have employee contracts on file,

**FINDING NUMBER 2011-005
(Continued)**

- For 4 of 7 (58%) employees, the Academy did not have Board-approved employee contracts on file,
- For 6 of 7 (85%) employees, the Academy did not have a retirement system enrollment form in the personnel file,
- For 7 of 7 (100%) of employees, the Academy did not have employee contracts on file that were signed by the employee or Superintendent

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

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

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-006

Noncompliance

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

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

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

Contrary to this requirement, the Academy did not have a valid purchase order executed for 33 out of 37 (89%) expenditures tested, and none were on a blanket purchase order or below \$100. In addition, for 9 of 37 expenditures tested (33%) a detailed invoice was not provided for audit. Procedures were performed to determine that these disbursements were for proper public purposes.

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

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

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-007

Noncompliance/Material Weakness

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

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

Statement of Net Assets and Statement of Cash Flows

- The Academy overstated debt balances by \$69,035.
- The Academy understated debt payments by \$64,186.
- The Academy understated Capital Assets by \$683,203.
- The Academy understated Accumulated Depreciation by \$192,201.
- The Academy did not provide supporting documentation for amounts reported on the Statement of Cash Flows.

Statement of Revenues, Expenses and Changes in Net Assets

- The Academy presented \$405,513 in unsupported miscellaneous receipts.

Notes to the Financial Statements

- The Academy did not present mathematically accurate balances for long-term debt. The difference between them amount in the note and what the re-calculated amount is \$613,208.
- The Academy did not disclose accurate capital asset additions in the capital asset note. The difference between the total additions amount in the note and the re-calculated accurate balance of additions is \$130,016.
- The Academy did not disclose material subsequent events.

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

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

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-008

Noncompliance

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

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

The Academy did not file form 990 from their establishment for fiscal year 2010 until May 15, 2012 and support for filing the form 990 for fiscal year 2010 was not provided for audit.

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

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

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2011-009

Noncompliance

Ohio Rev. Code, Section 2921.42 (A) (1), prohibits a public official from authorizing or employing the authority of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

Joe Calloway, Jr., the son of Board Member Joe Calloway, had an approved contract for \$35,089 for January 18, 2011 to June 30, 2011, to serve as a technology assistant. When the Board approved the contract on January 11, 2011, the minute records did not indicate that Board member Joe Calloway abstained from voting on his son's contract.

Also, the Academy failed to disclose the employment contract with Mr. Calloway, Jr. in the Notes to the Financial Statements as a related party disclosure.

We recommend the Academy, with the assistance of its legal counsel, develop a detailed conflict of interest policy, and require its employees and officials sign an annual statement stating they have received a copy of the conflict of interest policy, have read and understand the policy, agree to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated management should review these statements to help reduce the likelihood of conflicts of interest and to ensure related party transactions are disclosed in the notes to the financial statements. The Academy's board members should abstain from all decisions and proceedings that may involve the compensation or other items of employment regarding family members.

This matter will be referred to the Ohio Ethics Commission.

**FINDING NUMBER 2011-009
 (Continued)**

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Material Weakness – Activities Allowed or Unallowed, Allowable Costs

Finding Number	2011-010
CFDA Title and Number	84.010 Title I 84.394 State Fiscal Stabilization Fund
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

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

The Academy did not prepare or maintain valid purchase orders for any expenditures made from the Title I or State Fiscal Stabilization Fund grants indicating approval from the Board, Superintendent or Treasurers for purchases made and charged to federal funds.

Failure to maintain accurate purchase order information could result in inaccurate amounts charged to the grant funds or lead to questioned costs for items purchased from grant funds.

To maintain controls over allowable cost compliance, the Academy should execute purchase orders for each expenditure. These purchase orders should document supervisory approval of expenditures.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

2. Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed

Finding Number	2011-011
CFDA Title and Number	84.410 Education Jobs
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. 225 Appendix A Section C (1)(d) states for an expense to be allowable under Federal awards, costs must meet the following general criteria:

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

The Initial Guidance for State on the Education Jobs Program (Ed Jobs) states in part local educational agencies (LEA) may use the funds to pay the salaries of teachers and other employees who provide school-level educational and related services. In addition to teachers, employees supported with program funds may include, among others, principals, assistant principals, academic coaches, in-service teacher trainers, classroom aides, counselors, librarians, secretaries, social workers, psychologists, interpreters, physical therapists, speech therapists, occupational therapists, information technology personnel, nurses, athletic coaches, security officers, custodians, maintenance workers, bus drivers, and cafeteria workers.

Furthermore it also states in part LEAs are prohibited from using Ed Jobs funds for general administrative expenses as that term is defined by the National Center for Education Statistics (NCES) in its Common Core of Data. These prohibited expenses are administrative expenditures related to the operation of the superintendent's office or the LEA's board of education, including the salaries and benefits of LEA-level administrative employees. LEAs are prohibited from using Ed Jobs funds for other LEA-level support services expenditures, as that term is defined in the Common Core of Data. These prohibited activities include the payment of expenditures for fiscal services, LEA program planners and researchers, and human resource services.

The Academy paid \$90,189 in salary expenses for central office administrative personnel from Ed Jobs grant funds and did not adhere to the guidelines of the Ed Jobs Fund Program. In addition, 2 out of 7 (28%) employees tested did have contracts on file but the Board's approval of their hiring and contract information was not documented.

Failure to adhere to the guidelines for applicable Federal awards in which expenses are incurred could lead to the Academy having to repay funds back to the awarding agency or could lead to the loss or reduction of future funding.

Because the costs described above are evidence that unallowable costs have occurred, we are questioning expenses totaling \$90,189 paid from the Ed Jobs grant. Failure to comply with grant requirements could result in future questioned costs and potential loss of federal financial assistance.

We recommend that the Academy comply with all grant requirements and develop effective control procedures to ensure compliance with all applicable Federal award requirements when making payments from Federal award monies.

**FINDING NUMBER 2011-011
 (Continued)**

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

3. Noncompliance/Material Weakness – Schedule of Federal Awards

Finding Number	2011-012
CFDA Title and Number	84.010 and 84.389 Title I and Title I ARRA 84.410 Education Jobs 84.394 State Fiscal Stabilization Fund
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R. Part 80 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 account 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) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133.

During our review of the Academy's June 30, 2011 Schedule of Receipts and Expenditures of Federal Awards (SEFA) and supporting records we noted the following errors:

**FINDING NUMBER 2011-012
 (Continued)**

Program	CFDA#	Expenditure Reported on SEFA	Actual Expenditure Amount	Variance
Education Jobs	84.410	\$198,303	\$229,345	\$31,042
State Fiscal Stabilization Funds	84.394	366,108	391,416	25,308
ESEA Title I	84.010	591,323	736,133	144,810
ARRA – ESEA Title I	84.389	0	69,101	69,101
Improving Teacher Quality	84.367	39,162	51,626	12,464
Technology Literacy Challenge	84.318	5,433	2,344	(3,089)
Drug-Free Schools Grant	84.186	6,352	0	(6,352)
Special Education Preschool Grant	84.173	1,085	1,129	44
Special Education Grants to States (IDEA Part B)	84.027	146,831	156,388	9,557
ARRA – Special Education Grants to States (IDEA Part B)	84.391	0	31,104	31,104

Failure to accurately report expenditures in the period in which they were aid resulted in an inaccurate schedule of federal awards receipts and expenditures. To reduce the risk of errors and incompleteness of the federal schedule due to conflicting information, the Treasurer should compare federal schedule expenditure totals to supporting documentation.

The Schedule of Expenditures of Federal Awards included in this report has not been adjusted to properly reflect the correct amounts, CFDA numbers, grant titles and approval.

4. Noncompliance/Material Weakness – Maintenance of Effort

Finding Number	2011-013
CFDA Title and Number	84.010 Title I
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 299.5 (D)(a)_states that an LEA receiving funds under an applicable program may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

ODE Fiscal Year 2011 Education Management Information System (EMIS) Manual, Chapters 1, 2, 4, and Appendix I require LEAs to report the annual average daily membership per student for Period N (Year end).

ODE Fiscal Year 2011 Reporting School District Revenue and Spending Per Pupil Handbook (aka: Expenditure Flow Model Handbook) requires LEAs to report District- and Building-level financial data for aggregate “general expenditures” using the Expenditure Flow Model for Period H.

**FINDING NUMBER 2011-013
(Continued)**

The Academy did not provide documentation for audit to support the annual average daily membership per student for Period N or District and Building-level financial data for aggregate "general expenditures" using the Expenditure Flow Model for Period H required to audit the fiscal effort per student.

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

Ohio Rev. Code, Section 149.43(B), states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy was unable to provide:

- EMIS Year-end Period N Reports - District-Level count by grade level, Building-Level count by grade level, SSID-Level count
- EMIS Period H Reports - Expenditure Flow Model, Building Expenditures Report, Expenditure per Pupil Report, Percentage of School Cost Report, Inclusion Report, Summary Exclusion Report

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner. We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.351 and the Academy public records policy and supporting documentation for Maintenance of Effort be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery – Treasurer overpayment	No	Payments not made to Academy
2010-002	Finding for Recovery – Treasurer for improper payments	No	Payments not made to Academy
2010-003	Significant Deficiency – Leave Policy	No	Reissue as Finding 2011-004
2010-004	Material Weakness – Employee Contracts	No	Reissue as Finding 2011-005
2010-005	Noncompliance – Blanket purchase orders not executed	No	Reissue as Finding 2011-006
2010-006	Noncompliance/Material Weakness – Accuracy of Financial Statements	No	Reissue as Finding 2011-007
2010-007	Noncompliance – Filing IRS Form 990	No	Reissue as Finding 2011-008
2010-008	Noncompliance/Questioned Cost/Material Weakness – Allowable Costs, Title I	Yes	

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-010 2011-011 2011-012 2011-013	A new treasurer has been hired who will be responsible for the financial side of the federal funds.	7/1/14	Doug Mangen

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Cincinnati College Preparatory Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated October 24, 2012, we noted the Board adopted an anti-harassment policy on February 20, 2008. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the February 20, 2008 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666:

- (1) Incorporating dating violence into its existing policy prohibiting student harassment, intimidation, or bullying.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

January 29, 2014



Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2014**