CINCINNATI COLLEGE PREPARATORY ACADEMY EAST
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2013

CINCINNATI COLLEGE PREPARATORY ACADEMY EAST
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board Members and Sponsor:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio, as of June 30, 2013, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the school has suffered a loss from operations and has a net position deficiency of $163,011. Note 16 also describe Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

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As management of the Cincinnati College Preparatory Academy - East (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School increased $568,515 in fiscal year 2013. Ending net position of the School was negative $163,011, compared with negative $731,526 at June 30, 2012.
- Total assets increased by $128,731 and total liabilities decreased by $439,784 from the prior fiscal year end.
- The School's operating loss for the fiscal year 2013 was $343,642 compared with an operating loss of $951,174 reported for the prior year.

Using this Annual Financial Report

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

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

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

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

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

Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2013 compared to prior fiscal year.

Table 1
Net Position at Year End

	2013	2012
Assets:		
Current and Other Assets	$ 351,962	$ 197,853
Capital Assets, Net	88,824	114,202
Total Assets	440,786	312,055
Liabilities:		
Current Liabilities	541,201	625,412
Noncurrent Liabilities	62,596	418,169
Total Liabilities	603,797	1,043,581
Net Position:		
Net Investment in Capital Assets	88,824	114,202
Restricted	18,626	-
Unrestricted	(270,461)	(845,728)
Total Net Position	$ (163,011)	$ (731,526)

Current and Other Assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in Amount Due from CCPA West.

Total Liabilities decreased significantly from total liabilities reported for fiscal year 2012. This decrease is primarily a result of principal payments made during fiscal year 2013 to reduce the outstanding balance of notes payable.

Financial Analysis

The total net position reported for fiscal year 2013 increased by $568,515. Table 2 shows the change in net position for the fiscal year ended June 30, 2013 compared to prior fiscal year.

Table 2
Changes in Net Position

	2013	2012
Operating Revenues:		
Foundation Revenues	$ 2,369,188	$ 2,419,211
Classroom Fees	1,502	175
Other Unrestricted Grants-in-Aid	7,470	-
Total Operating Revenues	2,378,160	2,419,386
Operating Expenses:		
Salaries and Wages	1,289,946	1,402,624
Fringe Benefits	379,973	387,466
Purchased Services	887,815	1,011,516
Materials and Suppilies	112,623	546,840
Depreciation	25,378	12,689
Other	26,067	9,425
Total Operating Expenses	2,721,802	3,370,560
Operating (Loss)	(343,642)	(951,174)
Nonoperating Revenues		
Federal and State Grants	910,321	219,050
Donations and Contributions	1,061	-
Other Nonoperating Revenues	775	598
Interest Expense	(34,300)	(35,700)
Interest Expense Forgiven	34,300	35,700
Total Nonoperating Revenues	912,157	219,648
Change in Net Position	568,515	(731,526)
Net Position, Beginning of Year	(731,526)	-
Net Position, End of the Year	$ (163,011)	$ (731,526)

Total revenue decreased in fiscal year 2013 compared with the prior fiscal year primarily due to a slight decline in enrollment from 360 students to 346 students.

Total expenses reported for the fiscal year decreased significantly compared with expenses reported for fiscal year 2012. This decrease is primarily the result of a reduction in start-up costs, coupled with decreased spending due to the decrease in student enrollment during fiscal year 2013.

Capital Assets

At the end of fiscal year 2013, the School had $88,824 invested in furniture and equipment, a decrease of $25,378 in comparison with the prior fiscal year. This decrease represents the amount by which current depreciation, totaling $25,378, exceeded current year additions, totaling $0. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School's notes payable balance was $300,000. The School also had $18,169 in leases outstanding as of fiscal year-end. See Note 6 of the basic financial statements for additional details.

Contacting the School

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

CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST
HAMILTON COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Assets:		
Current Assets		
Cash and Cash Equivalents	$	25,326
Intergovernmental Receivables		76,636
Total Current Assets		101,962
Noncurrent Assets		
Amount Due from CCPA West		250,000
Capital Assets, Net of Accumulated Depreciation		88,824
Total Noncurrent Assets		338,824
Total Assets	$	440,786
Liabilities:		
Current Liabilities		
Accounts Payable	$	146,898
Accrued Wages and Benefits Payable		114,915
Intergovernmental Payable		23,815
Lease Payable		15,573
Notes Payable		240,000
Total Current Liabilities		541,201
Noncurrent Liabilities:		
Lease Payable		2,596
Notes Payable		60,000
Total Noncurrent Liabilities		62,596
Total Liabilities		603,797
Net Position:		
Net Investment in Capital Assets		88,824
Restricted		18,626
Unrestricted		(270,461)
Total Net Position		(163,011)
Total Liabilities and Net Position	$	440,786

See accompanying notes to the basic financial statements.

CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST
HAMILTON COUNTY

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

Operating Revenues:	
Foundation Payments	$ 2,369,188
Classroom Fees	1,502
Other Unrestricted Grants-in-Aid	7,470
Total Operating Revenues	2,378,160
Operating Expenses:	
Salaries and Wages	1,289,946
Fringe Benefits	379,973
Purchased Services	887,815
Materials and Supplies	112,623
Depreciation	25,378
Other	26,067
Total Operating Expenses	2,721,802
Operating Loss	(343,642)
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	903,636
State Grant Revenue	6,685
Donations and Contributions	1,061
Other Non-Operating Revenues	775
Interest Expense	(34,300)
Interest Expense Forgiven	34,300
Total Non-Operating Revenues (Expenses)	912,157
Change in Net Position	568,515
Net Position Beginning of Year	(731,526)
Net Position End of Year	$ (163,011)

See accompanying notes to the basic financial statements.

CINCINNATI COLLEGE PREPARATORY ACADEMY - EAST
HAMILTON COUNTY

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

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 2,434,200
Received from Classroom Fees	1,502
Payments to Employees for Services and Benefits	(1,755,406)
Payments to Suppliers for Goods and Services	(900,217)
Payments to Other	(28,835)
Net Cash Used for Operating Activities	(248,756)
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	844,991
Received from State Grants	6,685
Received from Donations and Contributions	1,061
Received from Other	775
Payments for Lease Principal	(15,573)
Payments for Note Principal	(440,000)
Payments on Behalf of CCPA West	(250,000)
Net Cash from Noncapital Financing Activities	147,939
Net Increase (Decrease) in Cash and Cash Equivalents	(100,817)
Cash and Cash Equivalents at Beginning of Year	126,143
Cash and Cash Equivalents at End of Year	$ 25,326
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (343,642)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	25,378
Changes in Assets and Liabilities:	
Intergovernmental Receivable	53,719
Accounts Payable	97,453
Accrued Wages and Benefits	(40,177)
Intergovernmental Payable	(41,487)
Net Cash Used for Operating Activities	$ (248,756)

Schedule of Non-Cash Activities:

Interest on note forgiven by borrower	$ 34,300

See accompanying notes to the basic financial statements.

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1. Description of the School and Reporting Entity:

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

The School had one fiscal service provider during the 2013 fiscal year, Mangen & Associates. Douglas Mangen served as the Certified Treasurer during the entire 2013 fiscal period. The St. Aloysius Orphanage was the School's sponsor in fiscal year 2013. The initial term of the sponsorship agreement is for a two-year period ended June 30, 2013. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 11 non-certified and 27 certificated full time teaching personnel who provide services to 346 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 11.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

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

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

Description	Estimate Life
Buildings	30 years
Furniture, Fixtures, and Equipment	5 years
Building Improvements	5 years

2. Summary of Significant Accounting Policies (Continued):

F. Estimates

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

G. Intergovernmental Revenues

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

H. Operating and Non-Operating Revenues and Expenses

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

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

I. Accrued Liabilities Payable

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

Wages and Benefits Payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2013 contract.

Accounts Payable – payments due for services or goods that were rendered or received during fiscal year 2013.

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

2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

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

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

K. Federal Tax Exemption Status

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

L. Net Position

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

M. Economic Dependency

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

3. Deposits and Investments:

At June 30, 2013, the carrying amount of the School's deposits was $25,326 and the bank balance was $103,445. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2013 is as follows:

Grants Receivables	Amount
Federal Grants	$72,813
Pension overpayments	$ 3,823
Total	$76,636

5. Capital Assets:

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

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
Building Improvements	$ 27,457	$ -	$ -	$ 27,457
Furniture and Equipment	99,434	-	-	99,434
Total Capital Assets	126,891	-	-	126,891
Less Accumulated Depreciation:				
Building Improvements	(2,746)	(5,491)	-	(8,237)
Furniture and Equipment	(9,943)	(19,887)	-	(29,830)
Total Accumulated Depreciation	(12,689)	(25,378)	-	(38,067)
Net Capital Assets	$ 114,202	$ (25,378)	$ -	$ 88,824

6. Debt:

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

	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**	**Due Within One Year**
Notes Payable	$ 740,000	$ -	$ (440,000)	$ 300,000	$ 240,000
Capital Lease	33,742	-	(15,573)	18,169	15,573
Total	$ 773,742	$ -	$ (455,573)	$ 318,169	$ 255,573

In June 2011, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure operating funds. The note was approved for $400,000. The note carries an interest rate of 6% and a maturity date of June 30, 2013.

6. Debt (continued):

In October 2011, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure operating funds. The note was approved for $200,000. The note carries an interest rate of 6% and a maturity date of June 30, 2013.

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

The School paid $440,000 during fiscal year 2013 towards these notes.

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

Future debt-service-to-maturity requirements to retire the Notes Payable are as follows:

Fiscal Year Ended June 30:	Principal	Interest	Total
2014	$ 240,000	$ 11,400	$ 251,400
2015	60,000	600	60,600
Total	$ 300,000	$ 12,000	$ 312,000

7. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2013, the School contracted with the Netherlands Insurance Company for its insurance coverage as follows:

General Liability (aggregate)	$3,000,000

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceeded coverage amounts during the fiscal year.

B. Workers' Compensation

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

C. Employee insurance Benefits

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

8. Defined Benefit Pension Plans:

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2013 and 2012 were $29,146 and $34,416, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 95% of the required amount. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio,

275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

8. Defined Benefit Pension Plans (continued):

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2013 and 2012 were $152,328 and $131,482, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 92% of the required amount. The unpaid contribution has been recorded as a liability.

C. Social Security

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

9. Post-employment Benefits:

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

9. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School's required contributions for the year ended June 30, 2013 and June 30, 2012 were $1,646 and $2,032, respectively. The entire amount was contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 95% of the required amount. The unpaid contribution has been recorded as a liability.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at $20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2013 and 2012 were $3,517 and $6,445, respectively. The entire amount was contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 95% of the required amount. The unpaid contribution has been recorded as a liability.

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

9. Post-employment Benefits (continued):

B. State Teachers Retirement System

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

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 201333, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal years 2013 and 2012 were $11,718 and $10,114, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 92% of the required amount. The unpaid contribution has been recorded as a liability.

10. Contingencies:

A. Grants and Student Attendance Data Review

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Full-Time Equivalency Reviews

The Ohio Department of Education reviews of enrollment and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the fiscal year 2013 review did not have a material effect on the School's financial statements.

11. Contracted Fiscal Services:

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

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

The total fee paid for these services during fiscal year 2013 was $40,405.

12. Other Purchased Services:

During the fiscal year ended June 30, 2013, purchased service expenses for services rendered by various vendors were as follows:

Management Services	$ 32,588
Instructional Services	73,257
Repair and Maintenance Services	5,165
Professional and Technical Services	302,632
Garbage Removal	5,606
Rentals	155,392
Utilities	119,400
Contracted Food Services	171,854
Pupil Transportation	17,888
Property Services	2,766
Postage Services	1,267
Total	$ 887,815

13. Operating Leases:

The School entered into a lease agreement for a building with LKH Victory Corporation. The lease was effective through June 30, 2013 with monthly payments of $10,333. Lease payments made to LKH Victory Corporation totaled $120,622 for the fiscal year ending June 30, 2013.

14. Due from CCPA West:

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

15. Change in Accounting Principle:

For fiscal year 2013, the School has implemented the following:

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB's authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" establishes financial accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as asset and liabilities. This change was incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

16. Management Plan to Address Net Position Deficiency:

At June 30, 2013, the Academy had a deficit net balance of $163,011. Fortunately, subsequent to this date, the Academy had a stable base of receipts while making significant improvements in operating efficiency. As a result, the Academy's unaudited net position at the end of February 2015 had improved to a positive $195,213.

In addition to the considerable improvement in the financial trends for the Academy during the first nine months of fiscal year 2015, management has developed a plan to continue these positive trends through the continuation of modest student enrollment growth and continued improvements in the efficiency of ongoing operations. The primary focus of the Administration's plan to sustain fiscal performance includes: (1) sustain/grow current student enrollment, (2) continue return-on-investment budgeting, (3) trim expenditures not directly tied to student learning growth and (4) continued focus on process improvements in school operations and instruction.

16. Management Plan to Address Net Position Deficiency (continued):

The Board and Administration will continue directing a significant amount of time and energy toward making stronger connections with current Academy families to expand the word about the Academy's high academic performance in an effort to grow future student enrollment. In addition, the financial plan will continue to focus on cutting costs within daily operations through process improvements and spending restrictions after the Academy's instruction program requirements are funded.

The School's Board has adopted a balanced budget for the fiscal year ending June 30, 2015 which includes a plan for payments toward the purchase of the School's Homer Avenue property. The long-term objective is to own the current School building (debt free) while building an unencumbered cash reserve equal to at least three months of core operating expenditures.

CINCINNATI COLLEGE PREPARATORY ACADEMY EAST
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Receipts**	**Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
National School Breakfast Program	3L70	10.553	$75,752	$63,522
National School Lunch Program	3L60	10.555	173,863	145,795
Total U.S. Department of Agriculture			**$249,615**	**$209,317**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education - Grants to States	3M20	84.027	94,951	95,561
Title I Grants to Local Educational Agencies	3M00	84.010	500,075	503,977
Improving Teacher Quality State Grants	3Y60	84.367		480
ARRA - Race to the Top	3FD0	84.395	350	350
Total U.S. Department of Education			**$595,376**	**$600,368**
Total			**$844,991**	**$809,685**

The accompanying notes are an integral part of this schedule.

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

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

To the Board Members and Sponsor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati College Preparatory Academy East, Hamilton County, Ohio (the School), for the year ended June 30, 2013 and have issued our report thereon dated May 4, 2015, wherein we noted the School had an a net position deficiency **of** $163,011.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

Dave Yost • Auditor of State

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

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

To the Board Members and Sponsor:

Report on Compliance for Each Major Federal Program

We have audited the Cincinnati College Preparatory Academy East's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Cincinnati College Preparatory Academy East's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Cincinnati College Preparatory Academy East complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

CINCINNATI COLLEGE PREPARATORY ACADEMY EAST
HAMILTON COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2013-001

Material Citation / Material Weakness

Ohio Admin. Code Section 117-2-02 requires that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Finding Number	2013-001 Continued

AMENDED AND RESTATED CODE OF REGULATIONS OF THE CINCINNATI COLLEGE PREPARATORY ACADEMY EAST, Article IV, Section 7 states in part that the Treasurer ". . . shall disburse funds as directed by the Board of Directors, maintaining records thereof."

The School paid Cincinnati College Preparatory Academy West (CCPA West) $120,622 during the 2013 fiscal year related to an August 2011 "working draft" lease agreement; however, the School did not have a Board approved agreement for the payments.

In addition to the $120,622 total lease payments paid to CCPA West, the School recorded on the 2013 financial statements presented for audit a $250,000 noncurrent asset, *Downpayment on Building Purchase*. The School also presented a related note disclosure indicating that:

> "During the fiscal year, Cincinnati College Preparatory Academy West (West) financed the purchase of a school building. In conjunction with this financing, Cincinnati College Preparatory Academy East (School) paid $250,000 to Glenn Scherzinger on behalf of West under the assumption that West would in turn sell the school building to the School. At fiscal year-end, the School reported these on behalf payments as Downpayment on Building Purchase. The School expects the building purchase to be finalized in fiscal year 2014."

Glenn Scherzinger was a board member of the School, but resigned in August 2012. He is also the managing member of Bramble Investments, LLC, which held the mortgage for the building on Homer Avenue that was purchased by CCPA West in 2010. The mortgage was $400,000 with $100,000 principal payments due each December for 2011 through December 2014. In addition, Mr. Scherzinger made a $50,000 personal loan to CCPA West in September 2011 that was to be repaid in 120 days. CCPA West failed to repay the $50,000 personal loan and the $100,000 mortgage payments due December 2011 and 2012, which resulted in total delinquent payments of $250,000.

The School paid Mr. Scherzinger $250,000 between September 2012 and February 2013. Documentation presented by the School indicated that between September 7, 2012 and February 10, 2013 the School made seven separate payments from $25,000 to $75,000 totaling $250,000 to Glenn Scherzinger. School ledgers identified these payments as "deposit towards purchase of building"; $50,000 of those payments was also identified by the School as repayment for a loan made by Mr. Scherzinger to CCPA West. The March 14, 2013 School Board minutes included a resolution to approve the $250,000 in payments to Bramble LLC and claim a 50% ownership in the building on Homer Avenue per agreement reached with Bramble Investment LLC and LKH Victory Corp. However, the School Board's approval to pay the $250,000 was not made until more than one month after the final payment was made. Also, although the School claimed a 50% ownership in the building owned by CCPA West, no formal sales agreement existed and neither the School nor the CCPA West presented documentation that at June 30, 2013 CCPA West intended to either sell the building to the School or repay the $250,000 paid by the School on CCPA West's behalf.

The School did not have defined procedures as to how the Board directed the Treasurer to disburse funds as required by the School's Code of Regulations, Article IV, Section 7. School management indicated that authorization for disbursement was given through Board approval of 5-year forecast. However, the approved 5-year forecast (dated October 17, 2012) in effect during the period in which these payments were made budgeted only $100,000 for new capital outlay for fiscal year 2013. Also, the February 2013 financial report (provided to the Board after the payments were made) indicates that Core Facilities and Utilities disbursements were $196,760 in excess of the budgeted amount, and footnote 2 explained that "The large negative variance in Core Facilities and Utilities is due to the equity payments toward the purchase of the Homer Ave. building."

Finding Number	2013-001 Continued

On October 21, 2014 the CCPA West Board passed a resolution stating that the School and CCPA West boards ". . . have agreed to use the $250,000 repayment as a "Down payment on Building Purchase" for the 4324 Homer Avenue property; Therefore, the CCPA Board resolves that CCPA- East has the right to and will receive a benefit from CCPA in return for transfer of $250,000 funds to Bramble I Glen Scherzinger to cover CCPA debt obligations associated with the purchase of the Homer Avenue property. If the sale of the property is not consummated on or before December 19, 2014, CCPA agrees to repay $250,000 to CCPA- East on or before December 31, 2014."

However, the resolution continued to explain that CCPA West would reduce the net payment to the School by $185,841 to $64,159 (as either a repayment or applied towards the building purchase) because the School agreed to credit the amount owed by CCPA West by the following amounts:

- $80,941 for "expenses incurred and paid by CCPA for the benefit of CCPA-East during the period of the CCPA-East start-up (estimated to be $80,941) that were not reimbursed by CCPA-East due to lack of full receipt documentation"

- $66,372 for "reductions in lease payments from CCPA-East to CCPA after the transfer of the $250,000 funds . . .",

- $38,528 for "the estimated value of the CCPA bus, less depreciation . . ."

By reporting a $250,000 asset on the financial statement, the School asserted that the asset existed, that the School held or controlled rights to the asset, and that the asset was accurately valued. Although the Board of CCPA West stated that the School "has the right to and will receive a benefit" for the transfer of $250,000 to CCPA West, the School did not provide documentation that the asset existed or that it was accurately valued:

- *Reimbursements*: A list of vendors and amounts provided by the School in an attempt to document the $80,941 "expenses incurred by CCPA for the benefit of CCPA-East" was not adequate. The list was titled "Reimbursement 3, Check #1049, October 19, 2011, $186,793.09" and conclude with " "Overpaid $(21,226.40) owed back to East" No other support, such as invoices, desription of services, acknowledgement by the School of receipt of good or servces, was provided by the School. Also, the School reimbursed CCPA West $756,234 in fiscal year 2012, the School's first year of operations, for start up costs.

- *Reduction in rental payments*: The School provided documentation that subsequent to the $250,000 paid by the School on CCPA West's behalf, the monthly rental amount normally paid by the school to CCPA West was reduced by $3,374 at June 30, 2013, and reduced by at least a total of at least $66,372 at June 30, 2014. The reductions in rental amounts started in June 2013 and continued through July 2014. However, the School had no Board-approved lease agreement in place, so the School could not verify a monthly lease commitment. The School provided a "working draft" of a lease agreement for audit. The working draft was only signed by the Superintendent, Lisa K. Hamm and the administrative assistant, Tia Hill; both parties were employed by both the School and CCPA at the date of their signature, August 15, 2011. Also the working draft lease agreement provided monthly rental amounts only through June 2012; lease amounts subsequent to June 2012 were not provided and that section of the agreement noted "to be determined @ 7-1-2012."

Finding Number	2013-001 Continued

- *School Bus*: The CCPA West provided evidence that they paid $55,040 for a school bus in September 2008. CCPA West also provided the vehicle registration issued 11/21/2008 expiring 12/31/2050 for a 2007 school bus, and an insurance card effective 11/22/2013 through 11/22/2014 for a 2007 Chevrolet 32 passenger bus. CCPA West depreciates vehicles over a period of 5 years, so at the time of the October 21, 2014 resolution stating that CCPA West would reduce the amount owed to the School by $38,528 for the bus to be transferred to the school, the book value of the bus at CCPA West was $0.

- *No sale of property or repayment*: The sale of the property was not consummated and CCPA West did not pay $250,000 to the School by December 19, 2014.

Due to the lack of documentation related to the $185,841 in credits to be applied by the School for amounts owed by CCPA West, the School has failed to provide evidence that the $250,000 *Downpayment on Building Purchase* asset existed, that the School held or controlled rights to the asset, and that the asset was accurately valued. Also, the sale of the property was not consummated by December 19, 2014 and CCPA West did not pay $250,000 to the School. On February 17, 2015 CCPA West repaid $250,000 to the School, and the School reclassified the $250,000 *Downpayment on Building Purchase* asset as *Amounts Due From CCPA West*.

Failure to have Board approved formal, written agreement for building rent and building purchases could result in the School incurring costs in excess of amounts they originally intended to incur and/or not receiving title to the building once all payments have been made.

Recording assets for which the School does not have evidence that the asset exists, that the School holds or controls rights to the asset, that the asset is accurately valued, or that the asset is accurately classified increases the risk that financial statements are materially misstated and that users of the financial statement will make decisions based on materially inaccurate financial information.

We recommend:

- The School should record only those assets for which it can provide evidence that: the asset exists, the School holds or controls rights to the asset, and the asset is accurately valued. Also, the School should accurately classify assets on the statement of net position. In this instance, the School classified the asset as a *Downpayment on Building Purchase*, but no sales agreement existed.

- The Board should execute formal agreement related to building rentals and building purchases.

- The Board should sufficiently document their determination of asset values.

- The Board should define procedures and documentation to direct the Treasurer to disburse funds as required by the School's Code of Regulations, Article IV, Section 7, and the Treasurer should disburse School funds accordingly.

Finding Number	2013-001 Continued

Officials' Response:

1. Additional internal controls have been added to the School's checklists to ensure documented evidence is in place for all assets recorded and all assets are accurately classified on the statement of net position.

2. An additional item has been added to the School's checklists to ensure formal agreements related to building rentals and building purchases are recorded in board minutes.

3. An additional item has been added to the School's checklists to ensure the determination of asset values is sufficiently documented.

4. An additional item has been added to the School's checklists to ensure Board approval is in place for defining procedures to direct the Treasurer to disburse funds as required by the School's Code of Regulations, Article IV, Section 7. Plus, an additional item has been added to the Treasurer's checklists to ensure funds are disbursed according to those procedures.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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CINCINNATI COLLEGE PREPARATORY ACADEMY EAST
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2012-001	Ohio Administrative Code 117-2-02 failure to maintain an accounting system and records sufficient to maintain accountability.	No	Re-issued Finding 2013-001.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board Members and Sponsor:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 7, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

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CINCINNATI COLLEGE PREPARATORY ACADEMY EAST

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 21, 2015

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